

Thursday, August 5, 1875

ABSTRACT OF THE 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,

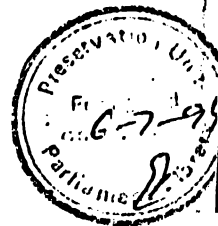
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1876.

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. 67.

The Council met at Simla on Thursday, the 5th August 1875.

P R E S E N T :

His Excellency the Viceroy and Governor General of India, G. M. S. I.,
presiding.

His Excellency the Commander-in-Chief, G. C. B., G. C. S. I.

Major General the Hon'ble Sir H. W. Norman, K. C. B.

The Hon'ble Arthur Hobhouse, Q. C.

The Hon'ble Sir W. Muir, K. C. S. I.

The Hon'ble Ashley Eden, C. S. I.

The Hon'ble Sir A. J. Arbuthnot, K. C. S. I.

Colonel the Hon'ble Sir Andrew Clarke, R. E., K. C. M. G., C. B.

The Hon'ble Sir Douglas Forsyth, K. C. S. I.

The Hon'ble T. C. Hope.

INDIAN TARIFF BILL.

The Hon'ble MR. HOPE moved for leave to introduce a Bill to amend the law relating to customs duties and for other purposes. He would explain in a few words the origin of this Bill. About four years had elapsed since the existing tariff values were fixed by Act XIII of 1871, and numerous representations had been made to the Government of India that market-prices had fallen considerably below those values. Regarding cotton-goods especially, the Manchester Chamber of Commerce had stated that the excess in values amounted to an addition of nearly one per cent. to the rates of duty. It likewise happened, in the course of customs administration, that as time went on, it was necessary to make various petty changes by notification, and legal difficulties came to light which could only be removed by legislation. Thus a new customs law became necessary from time to time at no very long intervals. In December 1874, the Government of India appointed a Committee to consider

all these matters. The constitution of the Committee was this: Bengal was represented by the Collector of Customs, Mr. Lane; Madras by the Hon'ble Mr. Dalryell, who had held the post of a Member of the Board of Revenue at that Presidency; Bombay by the Commissioner of Customs and Opium, an appointment held at that time by himself. The mercantile community were represented by the Hon'ble Mr. Bullen Smith, who was a Member of this Council, and Mr. J. O. Murray, the Chairman of the Bengal Chamber of Commerce. The Chamber of Commerce of Bombay was invited to send representatives, but was unable to do so. The Madras Chamber sent a short letter explaining their views upon the principal subjects under discussion, and the Bombay Chamber sent a detailed statement of the tariff values they desired, and also their proceedings at a public meeting, which were very voluminous, and expressed their views on all the points in dispute. The Chairman of the Committee was Mr. Money, Member of the Bengal Board of Revenue. The Committee had made their report, it had been taken into consideration by the Government of India, and the result was the Bill he now requested permission to introduce.

The Motion was put and agreed to.

The Hon'ble Mr. HOPE then applied to the President to suspend the Rules for the conduct of business, with a view to the Bill being taken into consideration and passed at the present sitting. The reasons for asking His Excellency to take this somewhat unusual course were, that urgent representations were still being made as to the loss which trade was suffering by the enhanced tariff values; that there was no reason why trade should be kept waiting for any relief as to rates of duty which the Government, with the concurrence of the Council, were prepared to give; and, lastly, that if the Bill were proceeded with in the ordinary manner, there would be, under some heads, loss to the public revenue, and under others a complete paralysis of trade.

His Excellency THE PRESIDENT said that the reasons given by the Hon'ble Mr. Hope for the suspension of the Rules appeared to him to be conclusive. These Bills relating to customs tariffs were necessarily such as could not be circulated to the public previous to their introduction, because the circulation of them would have the effect of disturbing trade. Mr. Hope had also correctly remarked that there was considerable pressure to deal with this question. THE PRESIDENT therefore declared the Rules to be suspended.

The Hon'ble Mr. HOPE then introduced the Bill and moved that it be taken into consideration. He added that in doing so he would explain to the Council, as concisely as the subject would allow, the nature and scope of the measure.

Taking first the body of the Bill, the Council would observe that sections 1, 4, 5, 8 and 10 corresponded almost word for word with sections 1, 2, 3, 7 and 8 of the existing Tariff Act No. XIII of 1871. Section 2 of the Bill repealed that Act, and also Act XVIII of 1870, which it was desirable to get rid of and re-enact in the present measure. Section 3 was the old section 4, shorn of the Opium clause, modified to suit the proposed change in the export tariff, and with an addition of 'salted fish,' which he would explain presently. Section 6 was the old section 6, with the addition of the substance of the repealed Act XVIII of 1870, empowering the Government of India to reduce or take off the duties on any particular goods. Section 7 placed in the body of the Bill a proviso regarding rendering unfit for human consumption spirit intended for use in arts, manufactures and chemistry, which existed in Schedule A of the present Act, and added a penalty corresponding with that in Act XVI of 1863, which was the law on this subject for country-made spirit. Section 9 expanded the old Opium clause omitted from section 3, so as to place all the action of Government regarding opium on a clear legal footing. Section 11 was new, and empowered the Governor General in Council to control the excise duties on country-made spirit, with the view of maintaining a proper proportion between them and the duties on imported spirit. Section 12 was the old section 5, with two similar verbal amendments of the Consolidated Customs Act which had been found necessary, and also an important proviso regarding arms. Its object was to enable the Government to deal with arms, ammunition, and military stores, for which a license had been refused, in ways other than sale by auction, which alone was legal at present, and of course could not be resorted to without nullifying the refusal of license.

Turning to the schedules of the Bill, it would be observed, in the first place, that the classification of articles had been entirely altered. Under the orders of the Secretary of State for India, a Committee had met in England to revise the whole of the Indian forms of trade statistics, with the view of bringing them into correspondence with the publications of the Board of Trade. Under the advice of this Committee, a new classified list of all imports and exports had been sent out for adoption, and the classification of the tariff had necessarily to be changed in conformity with it.

He would now explain all changes of importance which were proposed in the substance of these schedules for the approval of the Council—first taking changes in duties, next tariff values, and finally giving an outline of the financial result of the whole.

Commencing with duties which were said to be prejudicial to trade, and with the import side, the most important item was cotton goods and twist. In the course of 1874, the Manchester Chamber of Commerce had made two important representations to the Secretary of State, to the effect that the duty was “absolutely prohibitory to the trade in yarn and cloth of the coarse and low priced sorts;” that it was intended to import into India, American and Egyptian raw cotton in order to make the finer qualities also; that the duties increased the cost to the poor consumer, and fostered a protected trade and new mills, thus defeating their own object and endangering the revenue; and finally, that their “total and immediate repeal” was necessary.

The Tariff Committee, to whom these representations were referred, enquired carefully into them, and found that the duty levied in all India on the coarse goods referred to was only about four lákhs of rupees, or five per cent. of the entire duty on cotton goods, which amounted to about eighty lákhs, and that only half of this sum, or one-fortieth of the whole, belonged to Bombay, where alone there was as yet any considerable local manufacture. The case therefore stood thus, that because one-twentieth of the cotton goods imported were subject to a local competition, which only seriously affected one half of that twentieth, the Government were asked for the “total and immediate repeal” of the nineteen-twentieths of the duty, paid by the remaining cotton goods on which local competition had no present effect whatever. It might of course be said that the present duty was no measure of the injury local manufacture had caused, and that, to estimate it properly, we must take into consideration the quantity of goods which the local mills were now producing, and which it was to be supposed would, but for them, have been supplied by Manchester. But as far as Bengal and Madras were concerned, there was no trace of any injury whatever. In Bombay, no doubt, the mills took to a certain extent the place of increased imports, but the competition of Bombay mills, like their profits, had been greatly exaggerated. After deducting what they made for exportation, and allowing for the extent to which they had displaced the hand-loom weaving of the country, the residuum was not sufficient materially to affect the argument as stated above. The Com-

mittee were therefore of opinion that the case for total abolition, on the grounds on which it was claimed, must inevitably fall to the ground.

There was an alternative scheme put forward by the Chamber of Commerce—not of Manchester but of Bombay—which he would now notice. It consisted in the exemption from duty of only the coarser sorts of yarn and cloth which were subject to local competition. This scheme had, at first sight, a great deal to recommend it, but it was open to two objections: *1st*, that it was impossible to draw a well defined line between coarse and fine goods; and *2ndly*, that any line drawn would not only lead to elaborate evasions and frauds on the part of the home manufacturer, who would endeavour to make goods which should just come within the exemption, but would stimulate the local mills to manufacture goods just above the line, and so would enlarge the range of the competition now complained of. The line would never be a steady and permanent one, for it would be necessary perpetually to keep moving it on further and further, higher and higher, until in the end, perhaps, the whole duty would be affected. There were two principles on which a line might be drawn—the principle of value and the principle of description. By the principle of value was meant saying, for instance, that all cotton goods valued at nine, or ten annas, per lb. and under should be exempt. By that of description was meant specifying that certain kinds of cloth, say longcloths, domestics, T cloths, and other coarse grey cloths under 18 × 18 reed, should be free. “Value” was objectionable in that it was not only a matter of opinion but subject to a double fluctuation—one following the market, like a tariff value, and another following the advance to higher and therefore more valuable kinds of cloth in which the local mills would be encouraged. “Description” threw on the Customs officers the onus of deciding whether the varieties of cloth which existed and the new ones, such as with 18 × 17 reed, which would spring up, were within the exemption or not. While fully appreciating the compliment paid to the honesty and intelligence of Custom-house appraisers by those who advocated “description,” he did not think that the burden was one which ought in justice to be imposed upon them, or which they would be able to bear to the satisfaction of the mercantile community. As to invoices, weight and size of bales, and other indications which it was thought would prove safeguards, Customs officials knew well that only a limited reliance could be placed upon them. The difficulty of drawing a line could hardly be better illustrated than by the fact that in January last the Bombay Chamber of Commerce addressed the Tariff

Committee advocating the principle of value, but that now the Secretary of the Chamber informed him (Mr. HORE) that on reconsideration leading members were in favour of the principle of description. On the whole, therefore, there appeared to be no doubt of the soundness of the verdict, understood to emanate from some leading members of the Manchester Chamber of Commerce, and announced by the Chairman of the Bombay Chamber in his speech of the 5th January last, that this alternative scheme was unworkable.

It might be said that this decision against either total or partial repeal showed a total indifference to the interests of Manchester. It was, no doubt, the fashion in some quarters to represent the interests of the Government of India and Manchester as antagonistic. But in point of fact the reverse was the truth. Both were in the same boat, for if Manchester lost her trade, the Government would lose its revenue, and would be obliged to resort to some other form of taxation which, considering the suitability and extensive incidence of a tax on clothing and the ease with which a customs duty was collected, would be far more objectionable than the duties now complained of. The wisest policy in the interests of both seemed to be to leave matters to take their natural course, instead of aggravating by interference any evil, such as it was, which might exist. The Council had already heard how small a proportion of the cotton trade was really affected. There was scarcely a trade furnishing imports to India which had not to suffer to some extent from local manufacture. We had only to look around at some of the ordinary articles we consumed to see that they were produced in India as well as in England. The competition of which Manchester complained was now but little more than had always been encountered from the hand-loom of India. And moreover what did the duty amount to?—5 per cent. ! Mr. Massey had remarked with truth that the Indian import duties were “the lightest in the world.” Until two or three years ago the English import tariff itself comprised a duty on wheat called, like the Indian counterpart, a revenue duty, and yet no one thought of accusing England of being a protective instead of a free-trade country.

In accordance with the above view it was the desire of the Government, with the concurrence of the Council, to do whatever seemed to be in accordance with sound policy to prevent what little evil might be thought to exist from assuming through their neglect undue proportions. The only measure at

present required appeared to be the imposition of a duty upon raw cotton not the produce of continental Asia or Ceylon, which had therefore been provided for in the Bill. The reservation was intended to save Persian and similar cotton which was analogous to Indian and useless for the finer fabrics. The duty would, therefore, fall on American and Egyptian cotton, which the Bombay mills might be tempted to import. Another point was worthy of note, that the fact of the duty on imported twist being $1\frac{1}{2}$ per cent. lower than that on cloth gave an encouragement to Indian mills to make the finer cloths from such twist. If it were thought by the English manufacturers that this modicum of protection was injurious, no doubt the Government would be ready to consider any representation they might make on the subject, and might abandon the policy of Mr. Laing, who reduced the duty on twist, and revert to that of Mr. Wilson, who declared in his financial statement of 1860 that he could "discover no good reason why cotton yarn and twist should be imported at a lower rate of duty than cotton piece-goods." If in spite of such precautions the Indian mill manufactures should assume more important dimensions than at present, then there appeared no doubt that the proper course would be, not a repeal of the import duty with its concomitant resort to more objectionable taxation, but the imposition of an excise duty. Home and imported goods would thus be put on an absolute equality, and the revenue unobjectionably derived from clothing would be preserved. At present there appeared to be little more need for such a measure than when in 1861-62 Mr. Laing decided against it. But it would be well if investors in Indian mills would bear this hint in mind and, thus forewarned, be precluded from charging the Government with breach of faith to them in the event of the imposition of an excise duty at any future date.

Having thus noticed the question of cotton goods, he would now take up that of raw metals. The Tariff Committee found that there had been a heavy fall in all of these, and especially in copper, lead, spelter and quicksilver. They accordingly recommended a reduction of the duty on these from $7\frac{1}{2}$ to 5 per cent. But for the recovery which had been found since the date of their report to have taken place in 1874-75, it was probable that even a larger reduction than they advised would have been thought desirable. As it was, the present Bill adopted their recommendation, but extended it to all the metals paying $7\frac{1}{2}$ per cent.

This reduction introduced the broader question of a reduction to 5 per cent. of all the articles in the tariff now paying $7\frac{1}{2}$ per cent. Previous to the

Mutiny the normal rate of the tariff had been 5 per cent. except on a few special articles; but that event necessitated heavy increases, and it was not till 1864 that a return even to $7\frac{1}{2}$ per cent. was attained. Ever since then there had been an implied understanding that the 5 per cent. rate would be reverted to whenever the state of the finances would permit.

The items paying $7\frac{1}{2}$ per cent. were some fifty in number, and comprised several which could ill-afford the additional impost. In the case of raw silk, on which the additional rate produced nearly two lákhs of rupees, there was the anomaly that the home spinners of Gujrát and other Provinces had to contend at this disadvantage with imported silk goods paying only 5 per cent. duty. Another important point was, that all the $7\frac{1}{2}$ per cent. articles were falling off. The average of the last four years was below that of the preceding four by no less than nine lákhs of rupees of duty, from which, at $7\frac{1}{2}$ per cent., the falling off in the value of the imports themselves could readily be calculated.

The amount involved in a reduction of these articles to 5 per cent. was very large—no less than seventeen lákhs of rupees! The reduction from 10 per cent. to $7\frac{1}{2}$ per cent. in 1864 had been recouped to the revenue in three years. But as in the present case the reduction would be of one-third instead of one-fourth, a longer period would perhaps be required. On the other hand the railway system had since then been greatly developed, and a greater proportionate recoupment might also be expected from every fresh reduction of duty.

Considering this prospect, and also that the relief would reach very numerous branches of trade, that it would in some cases be a set-off against unavoidably increased tariff valuations, as also that trade was believed to be generally depressed and the value of silver was low, he was glad to say that the Government were prepared, with the approval of the Council, to take a bold course, and reduce to 5 per cent. all items except arms, ammunition and military stores, which would be noticed presently.

The Tariff Committee were instructed, amongst other matters, to consider whether there were in the tariff any articles so unimportant that they might be exempted altogether from duty. The Committee found under this category only fishmaws, sozillo and singally fish, and shark-fins, the whole duty on which was refunded on exportation. To this the present Bill proposed to add coffee, because two-thirds of the duty was refunded, and the net sum received was under £500 a year. Quinine, it was also thought, might be exempted, both on

hygienic grounds and in the hope of encouraging the importation of a purer article than that which was now received.

All changes in import duties thought to be prejudicial having been explained, he would proceed to exports. The first item was cotton goods. This duty was subject to the general objection that it was laid upon a local manufacture subject to severe foreign competition, and was thus a burden of 3 per cent. on Indian manufactures in foreign markets. Where, as happened to some extent, the goods were made of imported twist, which had of course paid the $3\frac{1}{2}$ per cent. import duty, the burden was $6\frac{1}{2}$ per cent. instead of 3. The returns showed a falling off in the trade of late. As coal and iron were relieved in 1862 on similar grounds, and the three Indian Chambers of Commerce, together with the Committee, recommended the measure, the abolition of this duty was provided for in the Bill.

Hides and skins, the Committee thought, might remain dutiable, as the trade was undoubtedly thriving. But considering that raw hides had been exempted some years ago, and it was an anomaly to tax the industry alone, especially in the face of competition, abolition was recommended in this instance also.

Seeds, grain (other than rice and wheat—the former to be noticed presently and the latter already free), oils, and spices were recommended for relief from duty by only a majority of the Committee, who held that although individual oils and seeds might be doing well, the trade as a whole had been nearly stationary for some years, and had to encounter severe competition from America and Russia—countries holding a great advantage as to freight and time of reimbursement of investments. These grounds were considered to warrant abolition.

With regard to exports generally, due weight ought to be given to the importance of relieving the producer, and the indirect returns in land-revenue, indirect taxation, railway receipts, and especially exchange, which would follow that policy. By the measure proposed the Indian export tariff would be reduced to three articles, all taxable, for the present at least, on special grounds. Indigo and lac were still in the main monopolies in the hands of India, and where, as might sometimes happen, the duty on rice fell on the producer, an exceptionally light land tax rendered him able to bear it, and justly liable to do so.

It was not possible, Mr. Horn proceeded to state, that relief from duty of the extensive nature now proposed, and amounting to perhaps thirty-four lakhs of rupees, could be given without increase of other duties where such a course was reasonable. Spirit was an article which had long been known as capable of bearing a higher duty. Two years ago the Bengal Board of Revenue had recommended that the duty of Rs. 3 per gallon should be raised to Rs. 4, in order to preserve a proper relation with the excise on country-made spirit, The Madras Collector of Customs on similar grounds recommended as much as Rs. 5 per gallon. As the existing duty was not light and every rupee per gallon was equal to six lakhs of rupees of duty, an increase to Rs. 4, which the Committee advocated, was thought sufficient for the present Bill. No doubt there was a possibility that this increase might check consumption, but not a probability, and if a decrease did occur it was likely to be met by a corresponding increase in the excise on country spirits,

Liqueurs were at present classed with champagne, and paid Re. 1-8 per gallon. The Committee recommended their being raised to Rs. 3; but considering that they were a pure luxury, there appeared no reason why they should not pay Rs. 4, as spirit did.

Wines were at present placed in two classes, champagne and other sparkling wines, paying Re. 1-8 per gallon, and all other wines paying Re. 1. On examining into the incidence of this rate the Committee found that claret and Burgundy were at this rate paying on an average 20 per cent. *ad valorem*, and held this rate to be sufficient, especially in view of the desirability of encouraging the use of such innocuous beverages by Europeans, in preference to spirits. Champagne and the like were found to pay only from 10 to 15 per cent *ad valorem*, and the remaining wines 11 per cent. on an average; so the Committee recommended that the one should be raised to Rs. 2-8 and the other to Re. 1-8 per gallon. In both cases the increase left the duty a little under 20 per cent., which could not be deemed excessive, since the duty on wines in England was believed to be about 23 per cent. The Committee's recommendations were adopted in the Bill.

It might of course be said that these increases on both spirit and wines were an addition to class-legislation at the expense of Europeans. There were, no doubt, certain well known objections to class-legislation which, however, need not be gone into on the present occasion, as in this case nothing more was effected than a readjustment of class duties, and a very desirable

one. The long list of articles the duty on which was reduced from $7\frac{1}{2}$ to 5 per cent. embraced very many which were much consumed by Europeans. Apparel, for instance, got relief to the extent of a lăkh and a half; glass-ware, Rs. 80,000; provisions and oilman's stores, Rs. 80,000; carriages, watches, pianos, billiard-tables, saddlery, china, stationery, and other things too numerous to mention, came in for their share. Soap, for which Europeans were believed to have an especial predilection, got a bonus of Rs. 5,000; and even the lovers of pipes and cigars were not forgotten.

Arms, ammunition and military stores were the last item entered in the Bill for increase. The Government thought it desirable on political grounds to raise the duty on them from $7\frac{1}{2}$ to 10 per cent.

Besides the increases of duty already referred to, there were a few minor articles on which new duties were proposed. The reasons for a duty on raw cotton had been already given. As to the rate of duty, it was clear that in order that a local manufacturer using imported raw material might have no advantage over the importer of a manufactured article who had to pay duty, a duty on the raw material was required at least equal in amount to that paid on such manufactured article. Theoretically, perhaps the duty on the former ought even to exceed somewhat that on the latter. But in the present case it was thought sufficient to make the two equal—that is, to impose 5 per cent.

A small duty on salted fish was found necessary in Bombay, in order to prevent Indian salters who had to use our excised salt being at a disadvantage compared with importers of foreign salted fish, which had no excise to pay. The rate had been made nearly equal to our excise duty on salt. Indigo-leaves also it was proposed to subject to a special duty, to prevent the loss to the revenue arising from the manufacture of indigo in Pondicherry from leaves exported from British India. Duties were likewise recommended by the Committee in their 19th paragraph on a variety of small articles, in order to fill up gaps and correct anomalies. Their suggestions were adopted in the Bill, except as regarded bricks, tiles, tallow, and grease.

It was a relief, Mr. HOPE continued, to turn from duties which it seemed necessary to impose to the mention of others which, though formally recommended by the Committee, did not appear expedient. The Committee suggested that six items which they deemed luxuries might be raised

from $7\frac{1}{2}$ to 10 per cent.—a measure which was fortunately not financially necessary, and lay open to various objections. It was only fair, however; to those members of the Committee who by their votes carried this recommendation, to state that they probably would not have made it but for the belief that some equivalent must be found for the duties they desired to remove. Silk they proposed to raise from 5 to $7\frac{1}{2}$ per cent. but this placed silk higher than other piece-goods. They also advised the increase of the duty on iron from one to two per cent.; and the imposition of a $2\frac{1}{2}$ per cent. duty on machinery, which was now free. The Government, however, were of opinion that it was as important to encourage manufacturing industry now as at the time when these articles received the favour they enjoy. The total estimated yield of duties thus suggested, but not included in the Bill, was Rs. 5,10,000.

Having thus explained the changes of all kinds in rates of duty which were comprised in the Bill, he would mention briefly tariff values. The valuations of the Committee involved a net loss of Rs. 2,60,000 on the basis of 1863-64, and they had been adopted in every instance except one. The Committee were equally divided as to the valuation of shirtings, which it was agreed among them should govern that of the classes above and below. Those members whom the casting vote of the President constituted the majority advocated a higher valuation, based on an average of the preceding thirteen months, the others a lower, in consideration of the present and future prospects of the trade. The difference between the two, though only amounting to six pies per pound, involved about Rs. 1,60,000 of duty. In view of actual quotations since the date of the report the adoption of the lower rate was now proposed. According to the estimates now prepared on the basis of 1874-75, and with allowance for all the proposed changes of duty, the net loss by valuations would be Rs. 6,20,000. The actual relief to cotton goods alone was no less than Rs. 8,80,000, or nearly 11 per cent. of the whole duty paid.

In conclusion, he would trespass but a few moments longer on the patience of the Council, for the purpose of stating very briefly the financial result of the entire measure, leaving to the Hon'ble Member in charge of the Finances to show how that result affected the Budget and was justifiable on general financial grounds. The loss by reduction of import duties would be £173,000 per annum, and that by remission of export duties an equal amount, or £346,000 in all. To this was to be added, as already stated, £62,000 for tariff

valuations, making a total of £408,000 per annum. Against this loss was to be placed a gain of £100,000 per annum, composed of £64,000 from spirit, £28,000 from wines, and £8,000 from minor articles. The net loss was therefore £308,000 per annum. It would be perceived that the consumer would get a net relief of £161,000 and the producer of £173,000. As regarded the current financial year of course only two-thirds of these figures were to be taken, as four months of the year had expired. He had every confidence that the Council, in view of these figures and the explanations which had been offered, would approve of the measure he had had the honour of laying before them, as being sound and opportune.

The Hon'ble SIR WILLIAM MUIR said : MY LORD,—“The Council will probably expect from me some explanation of the bearing which the measures now proposed for their consideration will have upon the finances of the empire.

“Hitherto no extensive revision of the tariff has been made but at the beginning of the financial year and in connection with the budget. Measures of the kind taking effect during the currency of the year are inconvenient because of their disturbing influence on the estimates ; and the present is no exception to the rule. But it was found impossible to mature the details connected with this revision at an earlier period ; and my hon'ble friend has explained the evils that would have resulted from further delay. It is true that Government was in possession of the Tariff Committee's report before the budget was closed ; but so many weighty questions required careful deliberation, that anything like immediate or precipitate action would have been most inexpedient ; and in view of the broad and liberal treatment the subject has received on both sides of the tariff, the delay will not, I trust, be regretted by the mercantile community.

“Formerly all questions connected with Customs were dealt with in the Financial Department alone ; but since the establishment of the Department of Agriculture and Commerce, the responsibility has naturally been shared with it. The proposals now before the Council, framed under the personal guidance of Your Excellency, have been carefully elaborated in both Departments and, I may add, have the cordial concurrence of both.

“As regards the charge of the Bill, it was felt that no one was more competent to the duty than my hon'ble friend who has introduced the measure, both from his intimate acquaintance with the subject and also because, having been himself

a member of the Tariff Committee, he was thoroughly cognizant of their proceedings and the reasons which dictated their proposals. And I am sure that the Council will feel that the manner in which he has discharged the trust has fully justified the confidence reposed in him. I think that the thanks of the Government are in an especial manner due to Mr. Hope both for his labours in elaborating all the details involved in this important measure and also for the exhaustive and able speech in which he has placed them before the Council; and the thanks of Government are similarly due to the Committee for the thorough and earnest manner in which they conducted their investigations, and for their complete and most satisfactory report of the results of their deliberations.

“The duty now devolves upon me of showing in what way the changes proposed will affect the estimates of the year, and how our future finances will bear the strain of the loss arising therefrom.

“And first as to the re-adjustment of VALUATIONS. The Committee estimated the loss of duty by reduction of values at £76,700 and the gain by increased values at £50,700, leaving a net loss of £26,000. But there was a difference of opinion as to the price of cotton goods; and the Government, giving the doubt in favour of the trade, adopted the lower valuation of the Minority, thus increasing the net loss to £42,000. A provision to this amount was accordingly made in the estimates for the year.

“But the loss has been increased by further alterations in the tariff. Making the calculation on the receipts of 1874-75, the reduction on cotton goods alone amounts to £88,000; whilst against this we have a gain by increased values of only £26,000, leaving a net loss of £62,000. Of this only two-thirds, or £41,333, will be incurred during the remaining eight months of the year: and this is covered by the provision in the budget of £42,000. In calculating the loss in future years, as compared with the estimates of the present year, a deduction to the extent of this provision should be allowed, which will leave a sum of £20,000 to be debited hereafter as the annual loss for decreased valuation.

“I proceed to notice the loss on IMPORT duties. In their treatment of the import tariff, the Committee confined their proposals to a reduction in the duty on metals, estimated at £17,000. They no doubt refrained from recommending any larger measures, not considering themselves at liberty to do so. But Your Excellency has happily determined on the broader and bolder course of cutting down the duty all round from its present rate of $7\frac{1}{2}$ to 5 per cent.

“My hon'ble friend was himself in favour of this reduction, though he did not venture to look for it till some future occasion; in his separate paper he writes:—

“‘There is no reason why cotton goods generally should pay a lower rate than other articles. I hope that the next general change will be a reduction of the $7\frac{1}{2}$ rate to 5 per cent.; and I believe that fiscally the result would be very satisfactory.’

“The Tariff Committee of 1869 also advocated the same measure.

“If the finances of the country,” they said, ‘could bear the reduction at the $7\frac{1}{2}$ per cent. duty to 5 per cent., we would urge the expediency of the change by which a considerable measure of relief would be afforded to the commerce of the country.’

“Looking back to the various changes which have taken place in the import tariff, I find that prior to the mutiny, the general rate on British goods was $3\frac{1}{2}$ per cent. on raw products, and 5 per cent. on manufactured or prepared articles; with special rates at 7 and 10 per cent. on certain classes of goods. In 1859, owing to the deficit caused by the mutiny, the general rate was raised to 10 per cent, and on a variety of luxuries (as tea, coffee, millinery, grocery, &c.) as high as 20 per cent.; but this latter rate so crippled the trade that in the following year it was reduced by Mr. Wilson to 10 per cent.; and this continued to be the ruling duty for the next five years. Meanwhile in 1861 cotton yarn was lowered by Mr. Laing to 5 per cent., and in the following year still further to $3\frac{1}{2}$ per cent., and piece-goods from 10 to 5. In 1863 iron was brought down from 10 to 1 per cent. The next large measure was in 1864, when the general rate was lowered from 10 to $7\frac{1}{2}$ per cent.

“The measure then which Your Excellency has now resolved on, namely, a reduction of the general rate of import duty from $7\frac{1}{2}$ to 5 per cent., brings us back to the normal import duty that prevailed before the finances were disorganized by the events of 1857-58, but without the special rates. From this large measure of relief we may anticipate the happiest effects, in the encouragement of commerce, and in causing a material accession to the import trade. The expectation is based on experience; for the rebound, when the duty was similarly lowered in 1864, is truly surprising. The average customs revenue from the articles affected for the three years preceding that reduction was £400,000; in the three years following, it fell to £333,000; but in the second triennial period (1867 to 1869) it rose to £404,000, that is to say, the loss was more than recouped within three

or four years. There is a distinction, however, between the former and the present measure; that was a reduction from 10 to $7\frac{1}{2}$ per cent., or one-fourth; this, from $7\frac{1}{2}$ to 5, or one-third; £400,000 duty at 10 per cent. represents a trade of four millions; at $7\frac{1}{2}$ per cent. of five and one-third millions. Thus the former reduction was covered by an increase in trade of £1,400,000 in three years; or at the rate of above £450,000 a year. To recoup the loss in the present case, the addition to trade must be £3,440,000, which, at the former rate, would take at the least seven years. But then the present reduction is larger in the proportion of 4 to 3; and we may naturally expect that the stimulus to trade will be proportionately stronger, and more rapid in its action. Add to this that the railway system has since been greatly extended and the facilities for the distribution of merchandise multiplied. The import trade will also receive a reflex impetus from the relief proposed for the export trade.

“It is true that other causes may also have been at work to create the rapid development of trade from 1864 to 1867; but credit may justly be taken for the reduction as the chief agent; and the precedent strengthens the position of Government in its present resolution.

“Hardly any articles have been removed from the Import Schedule, excepting coffee which is a home product, and quinine, which was recommended by the Committee in 1869, and the cheap and plentiful supply of which cannot but be regarded as a blessing to the country at large. On the other hand, some minor articles, before accidentally omitted, have been added; for, constituted as the Indian import tariff is with a general reach and incidence, exemption can only be justified on special grounds, as *e. g.*, with machinery, the attraction of which is of the highest consequence to develop the resources of the country, or where the duty is so small that its collection is not worth the expense and trouble. For any other cause, exemption would, under the present conditions of the tariff, be tantamount to a class-privilege.

“Bating the set-off from these additions, the loss to our Customs revenue by the reduction of import duty from $7\frac{1}{2}$ to 5 per cent., as estimated on the receipts of 1874-75, will amount to £173,000.

“I now come to the Exports: and here the recommendations of the Committee have (with one exception) been adopted whole and entire. Every staple has been swept away from the list of dutiable exports, but three. The reforms

now achieved has long been demanded. For 30 or 40 years, it has been admitted on all hands that to levy a duty on the export of our own productions is the most vicious form of taxation, excepting only where we have either a monopoly of the staple, or such special advantages of soil and climate in its production as will enable us to command the market, and so to throw the increase of price upon the foreign consumer. As long ago as 1846, the Hon'ble Court of Directors stigmatized the levy of duties on the export of our staples, because 'they could not fail to restrict the demand for these articles, and to render them less able to compete with the similar products of other countries,' and concluded that 'all these duties were objectionable in principle and ought to be abolished with the single exception of indigo.'

"SIR W. MUIR then quoted a number of distinguished authorities, from that time to the present, including Sir H. Maddock, the Calcutta Chamber of Commerce, Mr. Bullen, Mr. Crawford, Mr. Bullen Smith and Colonel R. Strachey, who had in the strongest terms denounced export duties, and urged their abolition. In 1860, the Right Hon'ble Mr. Wilson, thus addressed the Council:—

"As a general rule, when the products of our soil have to find a foreign market, and in cases in which they enter into competition with those of other countries, the direct effect of export duties must be to place our products in those countries at a disadvantage with their foreign competitors. ... With regard to export duties on articles which have to compete with the products of similar articles from other countries in neutral markets, the first effect no doubt is that the export duty acts to that extent as a reduction of the price paid to the producer, and is a special tax and discouragement to him as a producer; but a further and serious danger is that your duty may exclude the articles from the foreign market altogether, act as a prohibition, and thus put an end to, or greatly limit, the production and the demand for labour. It is this obvious distinction that has made us so desirous to relieve our exports as the best means of improving our internal resources.'

"Notwithstanding these vigorous and unassailable protests extending over the last thirty years, the tariff has till very recently been clogged with a vast number of export duties. Slowly, and one by one, they have gone. In 1860, tea, coffee, wool, flax, jute, and raw hides, were freed; in 1865, silk, saltpetre, borax, wax and shawls; in 1873 wheat, and in 1874 lac-dye. But up to 1867, no less than 97 articles were subject to export dues, besides every article not enumerated in the tariff. A great reform was made, at the recommendation of the Committee in 1867, when only 9 articles were retained. And so the tariff has remained to the present time, when it is now left for Your Excellency to give the *coup de grâce*, or nearly so, to this bad system.

			Duty.
* Cotton goods	...	£	16,383
Grain	...	"	27,345
Hides (prepared)	...	"	15,110
Oils	...	"	9,496
Seeds	...	"	98,473
Spices	...	"	5,950
Miscellaneous	...	"	53
TOTAL			172,810

"Six staples of the country,* all labouring under the disadvantage of foreign competition, it is now proposed to free. The remission has been recommended in every case by the Committee excepting that of hides. But raw hides having been exempted in 1860, the maintenance of the duty would evidently have been a burden on the export of tanned and prepared skins, and thus a check upon a profitable industry. Indeed one chief merit of the present measures is that unfettered export will promote domestic manufacture not only in this case but in that of Cotton goods, Oils, and other commodities, (as has already been done with Jute), and so encourage the shipment of our staples in a more valuable shape, and one that will ensure a higher return. And we may assuredly hope that India has now a new rôle before her by the growth of a flourishing export trade in her own manufactures.

"In comparing with by-gone tariffs the Schedule now submitted to the Council with its three remaining articles, it is hardly possible to believe that but eight years ago, the export tariff contained close upon one hundred articles, besides every other commodity that was not therein expressly freed by name.

"From this measure, we may surely anticipate that a great impetus will be given to production throughout the country and to the export trade. The saying of the Wise man is true in this aspect as in so many others; 'there is that scattereth and yet increaseth, and there is that withholdeth more than is meet and it tendeth to poverty.' Instances are not wanting of the export of a staple having been checked with the view of retaining it in the country; and the result has been the drying up of its production, scarcity and dearness, and the eventual impoverishment of that country. On the contrary, the increased demand caused by free export, will, we confidently trust, stimulate production everywhere, cause fresh capital to be invested, and new labour applied; and thus, like fresh springs each one contributing its portion to the flood, the quickened manufactures and production will from every quarter help to swell the great stream of merchandise.

"This is not to be set down as mere theory or fond expectation. It can be illustrated from many undoubted examples of the marvellous growth of trade when freed from the burdens of the custom-house. I will adduce a few instances by way of illustration.

“JUTE (raw) was made free in 1860. In the five years preceding, the quantity exported averaged 684,800 cwts, value £344,500. In the five years ending 1874-75, the trade had increased to an average 5,790,000 cwts., value £3,504,000.*

	Cwt.	£
*Five years' average 1855-59 ...	684,800	344,500
" " " 1860-64 ...	1,641,259	902,463
" " " 1865-69 ...	2,580,000	1,326,000
" " " 1870-74 ...	5,790,000	3,504,000

“HIDES (raw) were exempted in 1860. In the five years from 1863-68, the value of raw hides exported averaged £894,758: in the next five years £2,355,677: and in 1874-5 £2,677,767.

“The statistics of TEA have a special significance for the confidence they afford of the steady growth and bright future of this important staple. It was made free in 1860; in the five years from 1863 to 1868, the average annual value of export was £519,164. In 1874 it had reached £1,937,429.†

†Five Years.	Average.	
	lbs.	£
1863-68 ...	6,310,418	519,164
1869-73 ...	16,285,663	1,400,589
1874-75 ...	21,137,087	1,937,429

“The growth of the WHEAT trade (freed in 1873) is remarkable. From 1862 to 1865 the annual export was only 63,557 cwts.: during the last two years it has averaged 1,412,500 cwts.‡

	Average.	
	Cwt.	£
†1862-65 ...	63,557	...
1867-69 ...	217,700	77,664
1870-72 ...	420,540	188,313
1873-74 ...	1,412,500	659,000
1874-75 ...		

“The rapidly improving aspect of our general Export trade will be clearly learned from the following particulars, in which quaternial periods are compared for the last twenty years. The figures are exclusive of the value of raw cotton, the greatly enhanced price of which from 1862 to 1865, consequent on the American war, would have vitiated the comparison.

	£
Average for 4 years 1859 to 1862 ...	25,800,000
" " 1863 " 1866 ...	23,890,000
" " 1867 " 1870 ..	33,239,247
" " 1871 " 1874 ...	41,480,543

In 1834-35 the total of our exports to all parts, as Mr. Wilson shows in his

speech of 1860, was under Eight millions. It is now more than five times that amount. Mr. Wilson goes on to say :—

“ Again, Sir, in 1834-35, the value of our imports into India, was only £4,261,106: in 1858-59 it was no less than £21,366,447; and in the present year will exceed £24,000,000” [in 1874-75 it was close on 36 millions]. “ And this is independent of treasure, to the average amount of no less than £11,223,107 yearly Taking the exports and imports of merchandise and treasure, and there is really no distinction between the two, we find that the trade of India has grown up from a total sum of £12,847,289 in 1833-34 to one of £60,219,660 in 1858-59. Can we desire a stronger proof of the steady prosperity of the country ?”

“ A bright and promising view; but no one can accuse it of having been over-sanguine, when we find the average of the total trade for the five years ending 1873-74 was nearly Ninety-five millions, and that in 1874-75 it exceeded One hundred and one millions. With these facts before us, we may not doubt the marvellous buoyancy of Indian merchandise, nor question the capacity of the trade for future expansion in the same ratio;—or rather, having regard to the concessions now proposed, and the increasing facilities created by the railway, in a ratio still more rapid and surprising.

“ The loss from the remission of export duty is close upon £173,000, which (by happy coincidence) is the exact relief given also to the import dues. The loss by exchange is a loss to importers, but it is a gain to exporters. The importers, therefore, may say that they were in need of greater relief. This is of course not stated as an objection, but simply as a suggestion, in case it might seem to render expedient a modification of the expression ‘just.’ But this must not be regarded as altogether a dead loss. For *first*, the remission of duty will stimulate the export trade; and that again, by swelling the amount required in repayment, will re-act upon our imports, and increase our customs revenue. *Second*, an increase of exports (until, at any rate, they shall have been balanced by an equal increase of imports) will improve the exchange by creating a greater demand at home for the means of remittance to India; and any improvement in exchange will lighten our burden on account of the heavy payments made in England. *Third*, the expanded trade will add to the railway traffic, and so to its receipts in which Government is directly interested. And *fourth*, whatever increases the demand for the products of the soil or enhances their value, must add to the wealth of the people; and moreover the Land-revenue is benefited not only by greater ease and regularity of realisation, but also (where the settlements are temporary) by an eventually

higher assessment. These are all clear advantages to our finance, which, though indirect, are not to be the less thought of on that account.

“Three articles are still retained on the export schedule. Of lac and indigo* we have practically almost a monopoly, and so the duty, serving to raise the price, falls on the foreign consumer. It is true that indigo is exposed to some inconsiderable competition from America and also to danger from mineral dyes; and Mr. Wilson seemed to contemplate its eventual remission. But the Committee say that the duty (not more than one per cent. *ad valorem*) is not felt, and they do not recommend its removal. It is a trade, however, which engages much capital and employs much labour, and is deserving of every encouragement: and I trust that it may be possible at some future time favourably to consider its claim to be free. The third staple is rice. The propriety of retaining the export duty on it was much discussed some time ago. It was then doubtful whether the duty had not a prejudicial effect upon the trade. But of recent years there seems ample evidence that neither production nor export is checked by it; on the contrary, both expand and flourish in a manner quite astonishing. The greater part of the export is from Burma, and the position of Burma is peculiar: the land assessments are extremely low; and this duty, which is a moderate tax on the profits of the peasant proprietors, is the most easy and convenient form of supplementing the land-revenue. It is clear that, for the present at any rate, it does not press; and such being the case, we could not afford to give up the large customs revenue of £600,000 derived from it for any mere theoretical objection. We are fortunate in having here present, in my hon’ble friend Mr. Eden, the highest authority on the subject; and I hope that he will give us the benefit of his views upon it.

		Duty.
* Lac	... £	24,300
Indigo	... „	47,300

“I should have said that there was a fourth commodity subject to the trammels of the custom-house, and that is opium; for the income derived from it, under whatever form taken, is in reality an export duty. But it falls on the foreign consumer; and I think there are few, at the present day, who would wish to see the duty on it lowered or the traffic stimulated. Rather should it be our object, if possible, even to enhance the duty.

“We come now to consider the total loss for which we must be prepared. Upon imports and exports, there will be a loss on each of £173,000, for duties

reduced; and (as will be remembered) there is on account of lowered valuations a balance to be debited against future estimates of £20,000, making in all a total of £366,000. Against this must be put the gain expected from increased duty on spirits and wines, and the additional articles taxed, amounting (as Mr. Hope has shown) to £100,000; so that the net loss will be £266,000. The calculation is made on the returns of 1874-75, a favourable year. On the average of the three preceding years, it would be some £25,000 less.

“Such, then, is the loss for which we must be prepared. This is without taking account of any recoupment, direct or indirect, from increased trade. It is also irrespective of enlarged receipts from spirit manufactured in the country, the excise on which will be raised, as far as possible, to the enhanced standard of the new import duty; but against this there may possibly be some diminution of consumption. All such sources of increase are, however, contingent on the future; and to be absolutely safe (so far as safety is possible in finance) we must look how our ways and means will stand without them.

“In the current year, then, there will be no difficulty. Four months of the year have already passed; for the remaining eight the loss will be £177,334. The surplus provided in the estimates is £506,000; so that the margin is ample. And we have every reason to expect that the out-turn of the year will be materially better than the estimates. One heavy loss, indeed, there will be—for exchange; but however high we may take this, it will be far more than covered by the rising receipts in other branches. It is early, and perhaps imprudent, to calculate as yet the issue of the year. But there are certain branches in which we shall almost certainly be above our estimate. Opium is already £167,000 in excess, and by the close of the year may probably be £300,000 to 400,000. In customs we are even now £113,000 above estimate, and an equal sum in salt.

“So far as can be foreseen, no extraordinary charges are likely to devolve upon us. The only item of the kind is the grant of £30,000 for the visit of His Royal Highness the PRINCE OF WALES. And should the expenditure exceed that sum, assuredly we shall not grudge it on the auspicious occasion that augurs so well for the future of India, and promises to deepen the personal interest of the Throne, and one might add of the whole Realm, in the prosperity of this great dependency.

“ Everything, indeed, looks prosperous at the present moment : and although it would be rash to calculate on the continuance of equal fortune to the close of the year, yet we may with some confidence assume that, even with the drain of the present measures upon it, the surplus of the year will prove to be considerably larger than what was estimated in the Budget.

“ And now as regards future years, the same considerations may induce a feeling of security that the loss, even if in no degree recouped, would not endanger the equilibrium of our finances. True, if anticipated, that loss would have reduced the estimated surplus of the year to £240,000. But, then, we must bear in mind that the estimate for Opium, though taken at a higher figure than before, was still avowedly low. It was, in fact, £380,000 below the lowest income of the last seven years, and £800,000 below the average of that period. It is not unreasonable then to expect that we shall, on the average, have in the future at least £400,000, or half a million, above the estimate of 1874-75. Then the other main sources of revenue,—Land, Excise, Salt, Customs,—are all in a sound state, and show a tendency to rise, and that in a far more marked and rapid way than any increase in the charges of administration. It is true that the prospects from exchange and the depressed value of silver are not encouraging; but any loss on that account must be small in comparison with the sources of enhancement. And over and above all these considerations, we have the good hope of an eventual full recoupment of our loss by the steady growth of trade, increased Railway receipts, and other benefits to be looked for from the present measure.

“ In forming any forecast of our position, it would be wrong not to take into account the contingencies of the future in reference to three enemies of Finance,—*famine, flood and foe*. In so great an empire, we cannot but expect from time to time the visitation of drought and famine in some parts of the dominion. But the experience of the past is not discouraging. The special conditions of the recent famine in Bengal involved, from the inaccessibility of the tract, the necessity of an unusually large expenditure. And yet the cost, nearly Six millions, was (as shown in the financial statement for the year) nearly covered by the surplus of the preceding three years alone. And it should be remembered that this conclusion is not affected by the money we have been borrowing during that period. All this and more has been devoted to the construction of reproductive works which,

besides adding to the revenue and the prosperity of the country, will eventually repay the interest due upon them. The debt, therefore, will in reality prove no burden. The general revenues will not be one whit the worse on their account.

“As respects floods, we are no doubt frequently exposed to them; but I do not recollect any instance in which they have seriously affected our receipts. During the past year there were serious losses from this cause both in the Madras and Bombay Presidencies; but they hardly told perceptibly on the revenues of the year.

“As for war, it is of course entirely beyond the scope of any computation, and we can only trust that there may be ‘peace in our time.’ But bating this last contingency, we have, I believe, every ground of confidence that our receipts will continue to be in excess of our normal expenditure; and that even after the drain upon them caused by the proposed measures, we shall have a sufficient and an improving margin.

“There is one other conclusion to be drawn from this brief review of our finances. It will have been clear that, even if it had been on other grounds expedient, our position would not have admitted abandonment of the duty on cotton imports. The loss of £800,000 could not have been undergone unless we could have substituted for it some new source of taxation; that is to say, we should have to give up a productive source of income, the pressure of which, though of wide incidence, is not appreciably felt by the people, and in its stead impose some new measure that could not fail to harass and irritate the people. I hardly think that any one could seriously contemplate the alternative. Indeed the arguments of the Committee, as clearly enforced by my honourable friend, are conclusive against the necessity for any change. The competition from domestic manufacture affects at the most only Four out of Eighty lakhs of rupees of duty, that is only one-twentieth part of the trade. If the coarser commodity so affected could have been treated separately, it might have been exempted altogether; but, as Mr. Hope has shewn, there are insuperable difficulties in the way. No doubt, the argument is theoretically correct that where a commodity is produced at home, we should either free the import of that commodity, or excise its production to an extent equivalent to the import duty, or altogether prohibit its production. But if Hon’ble Members will cast

their eye down the import schedule, they will find hardly any article which, in consequence of the vast area and varying conditions of our soil and climate, cannot be more or less produced in some part of our dominions. The argument, however perfect in theory, would prove too much in practice; for I presume no one will contend that, in deference to mere theory, we should surrender our whole revenue on imports, of £1,700,000. And, in point of fact, the duty is so low that it cannot perceptibly affect the trade. This was evidently the opinion of Mr. Laing. In his financial statement of 1861, when vigorously denouncing all protective duties, and asserting that they 'certainly could not be maintained for a couple of years,' he at the same time admitted an exception where the import duty was 'so small that it would be palpably not worth while to establish a countervailing system of excise.' The duty on cotton piece-goods was then 10 per cent., and that on yarn (reduced by him to) 5 per cent.; it is now but 5 and $3\frac{1}{2}$ per cent., respectively. His views are still more explicitly stated in the following passages delivered on the same occasion:—

“ ‘Free trade does not mean that there shall be no taxes; but that taxes shall be levied solely with the view to revenue, and not partly for revenue and partly for protection.

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

“ ‘This is the case with regard to corn in England, where a duty of 1s. a quarter equal to 5 per cent. on the cheaper sorts of foreign grain is retained, and it is precisely our case with regard to piece-goods.

“ ‘We cannot dispense with Customs duties on our imports generally; and while this is the case, no reasonable man can object to our retaining an old accustomed duty of 5 per cent. on manufactured goods.’

“ ‘The argument is sound, and on the present occasion most pertinent. The trade flourishes under the duty, and the imports indeed were higher last year than ever, even although burdened with an excessive valuation. The trade will now receive material relief in that respect to the extent of £88,000, or 11 per cent. of the entire duty hitherto paid, and it must not be forgotten that the Government has specially favoured this branch of merchandise

by adopting the lower valuation of the Minority of the Committee. Moreover in common with all other imports, the cotton trade must benefit in the increased demand, which we trust will follow the freeing of the export traffic, in repayment of growing shipments to Europe.

“I must apologize to the Council for having detained them so long; but the measure which I trust they will shortly pass into the law of the land, will, I am sure, form an important era in the history of the Indian tariff; and although the effect upon the finances is by no means serious, yet the interests involved are so weighty, that the subject demanded a review in all its bearings so far as it lay in my power to furnish it. And I trust Your Excellency will allow me to congratulate you on having carried this important reform so near to its conclusion; swept away the last financial trace of the mutiny; and placed the tariff for the first time on anything approaching to a sound and consistent basis. I hope that even within the period of your own Viceroyalty, Your Excellency will witness the success of this reform financially in the increase of trade, and still more, under the blessing of God, in developing the wealth and advancing the welfare and prosperity of India.”

The Hon'ble MR. EDEN said:—“There can, I think, be no doubt as to the soundness of the policy by which the Government has been guided in making the alterations of customs duty just announced by the Hon'ble Mr. Hope. Coming at a time when trade generally is slack and depressed, they give relief to nearly every branch of trade, either by a direct reduction of duty from $7\frac{1}{2}$ to 5 per cent., or by a modification of the fixed valuation on which duty is assessable, or, in the case of exports, by their removal to the free list. In making these changes, I think that Government has gone quite as far as it safely can go for the present. Possibly the Manchester trade may not be satisfied and may consider that sufficient concession has not been made to their representations regarding the injurious effect of the present duties on the cotton trade. But, as explained by the Hon'ble Mr. Hope and by the Tariff Committee, their expectations were not altogether reasonable and were not warranted by the actual condition of the trade. Still they have received very material aid by the reduction of the fixed valuation on cotton goods, which is equivalent to a surrender of £80,000 of the duties now levied on such goods, being 10 per cent. on the total collections on that head.

“It is not, however, necessary for me to follow the Hon'ble Mr. Hope and Sir W. Muir through the different changes which have been made; but with

reference to what has been said by Sir W. Muir regarding the maintenance of the export duty on rice, I wish to make a few observations, as it is a subject in which I am particularly interested, and regarding which I have had special means of observation. As Sir W. Muir has observed, this export duty on rice has for some years past been very strongly attacked by those who think that all export duties are unsound in principle and indefensible. Fully admitting the principle as a general one, I have always maintained that there are special circumstances under which export duties are perfectly justifiable and are an excellent form of taxation. This may be either where we have a complete monopoly of the trade in the article in foreign markets, or where, as in the case of the rice trade, there are special circumstances connected with its production which render the duty innocuous while it at the same time yields a very large revenue. The duty on rice comes under this last condition, and I think I shall be able to show by incontestable figures that the foreign rice trade is in a singularly prosperous condition, and that it is developing and progressing in a degree which is almost without precedent in any branch of the export trade.

“ In taking figures, it will be best to confine my remarks to what are called the rice ports, that is to say, the ports of Burma, which have really almost a monopoly of the trade with Europe in the cheap and common kinds of rice. Bengal is affected by a number of considerations which do not affect the Burma trade, and exports a great deal of superior rice on which the duty falls very lightly. Not many years ago the advocates of the abolition of the export duty on rice brought great pressure to bear on Government, and by declaring that the Burma trade was declining in favour of the trade of Siam and Cochin China, very nearly succeeded in making Government sacrifice the important revenue which these duties afford. How far they were from being justified in their apprehensions will be apparent from the following figures. The duty on rice was raised in 1867; the amount exported in the two years before this rise of duty was—in 1865, 380,000 tons, in 1866, 340,000 tons. While in 1872 the export under the duty had risen to 660,000 tons, in 1874 it was 760,000 tons, up to the latter part of July of the current year it has reached 600,000, while there are between 200,000 and 300,000 tons remaining to be shipped. The total surplus crop for this year is not much less than 900,000 tons, or nearly treble the export which took place before the duty was raised, and if this is all shipped, as I believe the bulk of it will be to foreign ports, it represents a revenue of £450,000, or nearly half a million, and it is this that the Government of India is asked to surrender for the sake of supporting a theory.

“In 1872, the Government of India invited from the Local Governments an expression of opinion on this subject. In replying to this call, the Government of Madras, while objecting to the duty as a matter of principle, admitted that ‘the general opinion seems to be that the duty exercises no appreciable influence on the trade,’—a view which is completely borne out by the return of rice exports from Madras. In the Lieutenant-Governor of Bengal’s reply it was said that ‘the export of rice keeps up pretty steadily, though it of course varies with the harvests and the price of grain in Bengal and Europe. The rice export flourishes and improves, notwithstanding the small duty it has to bear. Almost every one of the reporting officers says that no ryot, landholder, or dealer in the interior of the country, even knows of the existence of the duty. So far, then, as Bengal is concerned, the Lieutenant-Governor does not consider that the rice duty should be the first tax for reduction or abolition.’ The Chief Commissioner of Burma strongly upheld the continuance of the duties on the ground of the enormous development of the trade and the peculiar circumstances of Burma. He said—

“It is quite clear from this that the anticipations of those opposed to the imposition of these rice duties have in no way been fulfilled. It has been said that we could never compete, weighted as we are, with Saigon and Bangkok, the rice of which ports is subjected to no duties. The results, on the contrary, show that they are quite unable to compete with us, and that they have been beaten altogether out of the European markets. Indeed, the rice of those countries would never have entered the European market, had it not been that there was in 1868 a very large harvest in China, and the home supply of that country was such as to make the foreign rice a drug in the market. Under these circumstances, Saigon and Bangkok had no other course but to ship to Europe; this they did and were supposed to have become dangerous competitors, though, after all, the quantity they shipped to Europe was very insignificant, Bangkok sending in 1869, 53,000 tons, Saigon, 31,260 tons, a very small export compared with the 550,000 tons which Burma is sending this season. The experimental export from Saigon and Bangkok, however, was a failure; their rice did not suit the European market and fetched £1 to £2 per ton less than the Burma rice; and, as a natural consequence, as soon as the rice market in China resumed its normal condition, the exports from Saigon and Bangkok ceased, and the whole trade again fell into the hands of Burma. It must be prominently kept in view that the natural ports of supply for China are Saigon and Bangkok, the natural ports of export to Europe are the Burma ports. It may be taken as an undeniable fact that so long as the rice supply of Siam and Cochin China are not capable of meeting the wants of China, we shall be called upon to make good the deficiency; whenever they are capable of meeting this demand, no rice will go from this to the East. On the other hand, so long as those ports can obtain a market in the East, they will not endeavour to compete with Burma in the European market.’

“This view of the little danger to be apprehended from the competition of the Eastern ports with Burma, has been fully confirmed by the returns of

subsequent years. Even in 1874, when Burma was called upon to supply rice in large quantities to meet the Bengal famine and when prices were high, Saigon only sent to Europe 14,000 tons, while Bangkok sent 3,000 tons. During the first half of the current year, while Burma has exported 600,000 tons, Saigon has sent none to Europe, and Bangkok under 3,000 tons. In the same letter the Chief Commissioner showed that, owing to the keen competition in the rice trade the merchants gave to the producers the full amount which European quotations enabled them to give, and that if the duty was taken off, it would not in any way affect the price to the consumer, but would be added to the price given to the producer. Competition with foreign markets therefore was not affected by the duty, which fell wholly on the producer. The opinions of some of the leading rice merchants were quoted. One merchant said: 'At the present moment if the rice duty were remitted, I do not think it would affect the gross cost of rice intended for the European market.' Another said that the duty had not affected the trade: 'In fact, in spite of the heavy export duties the trade has steadily gone on developing and increasing, and the cultivation of paddy seems to be extremely profitable to the cultivators, who are yearly increasing their cultivation. The export duty falls exclusively on the cultivators.' A third merchant said that he believed that the duty falls entirely on the producer, in fact, the duty may be regarded as an indirect tax on the grower. And he goes on to say that 'were the duty repealed to-morrow, the price of paddy would immediately advance proportionately, thus benefiting the producer entirely and not even in the slightest the shipper.' Thus clearly those interested in the trade do not agree with those who maintain that because export duties are wrong as a general principle, therefore their continuance must strangle the trade.

"It has been shown that the duty falls on the producers, the real test as to whether this is mischievous is the extent to which it has hindered production. Now the amount of land under rice cultivation in British Burma in 1870-71 was 1,709,490 acres, while in 1873-74 it had run up to 2,061,568 acres, an extraordinary increase when we recollect that the agricultural population of the country is only $1\frac{1}{4}$ million, and that therefore under ordinary circumstances and with normal profits the cultivation of new land would be a matter of time. In the one year for which we have the latest returns, 1873-74, the increase of cultivation was 206,578 acres. In the face of these facts it is quite impossible to maintain that production has been impeded by the duty. The ground upon which the maintenance of the rice

duty has always been advocated by the authorities in Burma is, that it does fall exclusively on the producer, and that it is therefore an admirable way of supplementing the land-revenue. It is most important to keep the land-revenue as light as possible. Burma is peculiarly situated; it has a vast territory but a scanty population; it is however surrounded by Foreign States from which we desire to draw the surplus population, and we have hitherto been most successful, but this can only be done by placing on the land a very light assessment, and supplementing it by a rice duty which the people pay without knowing anything about it. To make our revenue system compare favourably with the system of taxation in the Native States from which we draw our immigrants, we must keep our taxation out of sight as much as possible.

“ I trust that I have succeeded in showing that the rice duty has not injuriously affected the trade or the producer, that if it were surrendered it would inflict a serious injury on the revenues of the country with absolutely no corresponding advantage to compensate for the sacrifice, and that the result would be sooner or later that we should have to substitute some offensive and objectionable tax for one to which no one has raised the slightest practical objection and which is collected in the manner most in accordance with the feelings of the people.”

His Excellency THE PRESIDENT said :—“ Mr. Hope has so clearly put before us the reasons which induced the Government to appoint a Committee to revise the Indian Customs Tariff, the recommendations of the Committee, the extension that the Government has been able to give to those recommendations, and the financial effect of the Bill which he has introduced, that I have little more to say upon the Bill itself than to express my cordial concurrence in the thanks which Sir William Muir has tendered on the part of the Government to the Committee, and especially to Mr. Hope himself both for his services as a Member of the Committee, and for having accepted the task, which he has so ably performed to-day, of explaining the subject to the Council.

“ Without dwelling upon details that have already been fully discussed, I desire to say a few words upon the general considerations which govern the Customs duties of India.

“ The Government of India possesses the advantage of being closely associated with the Government of England—a Government which has taken the lead in adopting and developing the principles of free trade; and we must expect

to see our financial policy judged by a comparison with that of England—judged, that is to say, by the highest standard in the world.

“Indian statesmen have always acknowledged the principles of recent English financial legislation to be sound, although owing to differences between the two countries it has been impossible to carry them out as completely in India as in England. Indian statesmen have never regarded Customs duties as desirable for the purpose of protecting the products or manufactures of India. Mr. Wilson, Mr. Laing, Sir Charles Trevelyan, Mr. Massey, and Sir Richard Temple have all been thorough free traders. In India, equally as in England, protection has been regarded as an exploded doctrine, contrary to the general interests of the country which imposes protective duties. In India, equally as in England, the doctrine has long since been abandoned that the mother country should favour colonies or foreign possessions by Customs tariffs or navigation laws; as well as the corresponding doctrine that colonies and foreign possessions should adopt Customs tariffs or other financial measures which favour the mother country against the interests of the colony.

“At the time of the American War, Sir Charles Wood, who was then Secretary of State for India, was pressed to take certain measures for increasing the export of raw cotton from India to England. ‘Whatever,’ he said, ‘is for the real interests of India, I will do, and do willingly, but no more.’ His position was never challenged; and in all financial questions the true interest of the people of India is the only consideration which the Government of India has to regard.

“The general principles, then, which should guide us are agreed upon both here and at home; and, if we examine our Customs tariff by the light of those principles, we must frankly confess that there is much to amend.

“A considerable revenue has hitherto been raised by export duties upon articles of Indian produce which are subject to the competition of articles produced in other countries, and there exists also what I can only call the monstrosity of a duty upon the export of Indian cotton manufactures. Such duties are of course altogether inconsistent with free trade. Sir William Muir has told us that they have only been retained in consequence of the necessity of the case; that many have been abolished from time to time; and that an intention has frequently been expressed to abolish the remainder as soon as the condition of the finances would admit of it. The measure which I hope will to-day be

passed into law is a very substantial advance in this direction. Grain, seeds, oils, spices, hides, and cotton manufactures will be freed from export duty, and only three articles of export—rice, indigo, and shell-lac—will hereafter be taxable.

“ Although our duties upon imports are not so open to objection as those upon exports, much still remains to be done before our import tariff can be regarded with satisfaction. If the English and the Indian tariffs are compared, it will be found that in England Customs duties are imposed on a few main articles of consumption—such as tea, coffee, sugar, and wine which cannot be produced in England,—tobacco whose production is prohibited—and spirits upon which an equivalent Excise duty is imposed. The reason why such simplicity has been found practicable in the English tariff is that the wealth of the country has sufficiently increased to admit of a large revenue being derived from a few articles; and, moreover, that some of the principal articles of consumption in England are the products of tropical countries, and cannot be produced in England.

“ It is only, however, under the most favourable external circumstances, after the lapse of many years, and a great progress in education and wealth, that this result has been achieved in England: it has indeed been for the most part brought about within my own Parliamentary recollection. No other nation in the world has as yet been able to come up to the English standard, on account either of disadvantages of position or of the predominance of unsound doctrines of finance.

“ In India we cannot hope as yet to arrive at so simple a tariff upon imports. The reason is that India is a far poorer country than England, and therefore we cannot obtain a large Customs revenue upon a few articles, and are obliged to draw a larger number within our net. Moreover, India is a country which possesses, either in existence or in embryo, the means of supplying all the necessaries, and many of the luxuries of life. Indeed, with the exception of wines and some classes of spirits, there is hardly any article imported from abroad which could not be produced in India; and, in order to obtain any substantial revenue from duties on imports, we are forced to tax articles which may be, and many of which actually are, produced in India; and so far our import duties, although low in amount and imposed for revenue purposes only, may have had some protective effect.

“ The theoretical conclusion is obvious—that, in order to bring our tariff into absolute conformity with the latest development of English financial legis-

lation, all import duties, excepting those on the few articles which India cannot produce, or upon which an equivalent Excise duty can be put, should be abolished, and other means should be found of raising the revenue which would be sacrificed.

“ But I agree with Sir William Muir that the practical conclusion is entirely the reverse. India is a country in which there is but little choice of new sources of taxation : it would be difficult to replace a large amount of revenue excepting by an Excise duty on tobacco or by some kind of direct taxation. I am satisfied that such a change would not be desirable even in a financial point of view. The army of tax-gatherers, on low pay, which would be let loose over the country to collect a new Excise, would probably involve a larger charge to the Government than the cost of collecting the Customs duties ; and, what is of more importance, by the imposition of a new Excise duty or of direct taxation under the best arrangements that could be made to levy either, the people of India would, in my opinion, have to pay a larger sum than they would gain by the reduced cost of the articles which would be affected by the abolition of our Customs duties.

“ But this is not all. I have no hesitation in asserting that the political evil of giving up our Customs duties, or a large part of them, and of imposing fresh taxes in their place, would be great. Whatever may be the objections to Customs duties, they possess the advantages of being collected easily and paid without pressure. These advantages are of peculiar importance in India, where now taxes are particularly liable to occasion popular discontent. To substitute direct taxes or new Excise duties for the Customs duties which are now imposed upon foreign goods, seems to me to be a policy which would be contrary to the interests of the people of India, and which no statesman with a knowledge of India and a sense of responsibility could be found to propose.

“ Under these circumstances successive Governments have done all that was feasible. From time to time, as Sir William Muir has pointed out, articles of importance to the development of the resources of India—such as machinery and iron—have either been entirely relieved from duty, or the duty has been reduced to a very low amount. We propose now, leaving all exceptionally low duties as they stand, to reduce the present general rate of $7\frac{1}{2}$ per cent. *ad valorem* upon imports to the old rate of 5 per cent.,—a rate imposed entirely for purposes of revenue, and which cannot be fairly described as protective.

“ I need not detain the Council with many observations upon the effect of the import duty upon cotton goods after the exhaustive manner in which Mr. Hope has dealt with that subject. Indeed the general remarks I have already made upon our tariff are sufficient to show that we could not give up so large an item of revenue as the import duty on those goods, which brings us in more than £800,000 a year. It is to be observed that, while we are only now able to reduce our general rate of import duty from $7\frac{1}{2}$ to 5 per cent., the latter rate has been adopted since the year 1862 for cotton goods, while cotton twist has been charged with a duty of only $3\frac{1}{2}$ per cent. Mr. Hope has shown that the competition of the Indian manufactures is confined, owing to the inferior quality of the raw cotton produced in India, to the lower classes of goods which form but a small part of the whole trade.

“ It is difficult to draw a perfectly accurate comparison between the imports of cotton goods over a series of years owing to alterations in the tariff valuations. The annual statement of Trade and Navigation furnishes the following figures :—

“ In the three years from 1859-60 to 1861-62 the average annual value of the imports of cotton twist, yarn, and piece goods was in round numbers £11,000,000.

“ In the four years from 1862-63 to 1865-66 the average annual value was £12,150,000.

“ It will be remembered that the duty was reduced in 1862, and the tariff valuations were raised in 1864; but the high price of cotton goods which prevailed owing to the American War must have had a prejudicial effect upon imports.

“ I omit the financial year 1866-67, as it only embraces 11 months.

“ In the four years from 1867-68 to 1870-71 the average annual value was £17,966,000.

“ In the four years from 1871-72 to 1874-75 the average annual value was about the same—that is to say, £17,970,000; but the tariff valuations were lowered in 1869 by about 15 per cent.; and, if allowance be made for this, there would be an increase of about a quarter of a million over the average for the preceding period.

“In the year 1874-75 the value was £19,387,270, which is the highest return for any year of the period which I have reviewed. I know it is stated that the trade of last year was not prosperous; but looking at these figures together, and making every necessary allowance, I can see nothing in them to lead us to suppose that the demand in India for English cotton manufactures has diminished or is likely to diminish.

“On the contrary, it is more probable that as the demand for English cotton manufactures has hitherto steadily progressed, notwithstanding the competition which has always existed in the lower classes of goods from Native hand-loom weavers, so it will continue to progress, although the lower classes of goods may in futuro be produced in the Indian manufactories cheaper and better than they have been by hand-looms.

“While, however, for the reasons given by Mr. Hope and Sir William Muir we see no reason for remitting the duty, we have gladly given substantial relief to the trade in cotton goods by a reduction of their tariff valuation. We have preferred the lower valuation recommended by the minority, and relief to the extent of no less than £88,000 per annum, as compared with the duty paid last year, will be given to the imports of cotton manufactures.

“The only increase of duties which we propose, putting aside some minor items, is to raise the import duty upon spirits and wine. We think that wine may fairly bear a moderate increase, and spirits are undoubtedly a legitimate subject for increased taxation. The Excise duty on spirits manufactured in India will as far as possible be raised in the same proportion as the Customs duty on imported spirits. The principle by which the Government is guided in the taxation of spirits is exactly the reverse of that which is followed in regard to other imports. The general principle is to impose low duties, and to rely upon increased consumption for an expansion of revenue. In dealing with spirits, the principle is to impose as high a duty, whether by way of Customs or Excise, as can be levied without being defeated by smuggling or illicit manufacture.

“Sir William Muir, who has especial charge of our finances, has shown that we need not apprehend any disturbance of the estimates of the current year from the alterations in the tariff which we propose to make. He has, moreover, given us good reasons to anticipate that the relief we are about to give to trade will involve no ultimate loss to the revenue. For my own part, taking into consideration the indirect, as well as the direct, advantages to the revenue which will be derived from the proposed measures, I believe

that they will prove financially successful. I have therefore no hesitation in recommending them to the approval of the Council.

“ Shortly stated, they are as follows :—

Export duties will be abolished which last year produced a revenue of £173,000.

Import duties will be reduced which last year produced a revenue of £173,000.

Import duties will be imposed which are estimated to produce a revenue of £100,000.

The tariff valuations will be revised at a net loss to the revenue of £62,000.

The whole net relief calculated upon the Customs receipts of last year will be £308,000.

“ Notwithstanding this, the Customs revenue for the financial year 1875-76 is not expected to fall short of the estimate by more than £70,000 for reasons which have been fully explained to us. The result in future years depends upon the correctness or otherwise of our anticipations that the loss will be speedily met by a substantial increase of other sources of revenue.

“ I do not dare to borrow the proud metaphor with which Mr. Gladstone illustrated a policy similar in character, but on a far grander scale than that which we propose for the abolition and reduction of Customs duties. He likened it to the tree of golden leaves described by Virgil; from which his hero was ordered to pluck a branch, and on whose trunk the moment one branch had been plucked another took its place. In the language of the Poet—

“ *Primo avulso non deficit alter
Aurum; et simili frondescit virga metallo.*”

“ We in India, pursuing the same course at a respectful distance, may be allowed to draw upon the great scholar of the Latin Poet for a less ambitious metaphor, and to use the language in which Dante describes a similar legend—

“ *Qual egli scelse
L'umilo pianta, cotal si rinacque
Subitamente là onde la scelse.*”
“ As he selected every humble plant,
Wherever one was pluck'd another there
Resembling, straightway in its place arose.”

“We believe that the humble plant we are about to pluck will, if not at once, assuredly ere long, be replaced by a healthy and vigorous offspring.

“I am glad to embrace this opportunity of making some observations upon the general condition of the finances of India.

“During the last three years it has not been necessary for the Government to propose any fresh taxes; and, consequently, under the provisions of the Statute by which this Council is governed, there has been no opportunity for the Financial Member of Council to make the Budget statement which, in former years, under less fortunate circumstances, used to be looked for with so much anxiety. I do not regret that the necessity for annual budget discussions has ceased to exist. On the contrary, I look back with satisfaction to the fact that no fresh taxes have been imposed during the past three years; and I agree with the high authorities who hold that the annual discussions were open to the objection of raising apprehensions of additional taxation, or at least of leading the public to expect changes every year in the financial arrangements of the State. Such changes in England are well understood and regarded without apprehension, but in India they are liable to be exaggerated and to disturb the minds of the people. There are none of the constitutional reasons for annual discussions which exist in England, and the consideration of financial measures by this Council only when the necessity for them arises is, in my opinion, both more in accordance with our functions, and more calculated to maintain the stability of Indian finance than such annual discussions.

“While, however, there have been no annual budget statements in this Council for the last three years, there has been no concealment as to the state of our finances. The Government of India has always pursued the wise course of giving the fullest publicity to everything relating to the financial condition of the State, and we publish with the most ample explanations our annual estimates and accounts, together with every other information which bears upon trade and finance.

“In order to place before the Council, as clearly as I can, the present financial condition of India, I will take the statistics of the four last financial years, beginning with the year 1871-72, and ending with the year 1874-75. For the first three years we have the final accounts, and for the last we have what are called the ‘Regular Estimates,’ which usually approach very closely

to the actual results. I will first compare the ordinary revenue of each year with the ordinary expenditure, omitting the charge which we have had to defray on account of the Bengal famine, and omitting also the expenditure which has been incurred in the construction of rail-roads and irrigation works, which, in the accounts, are classed as 'Extraordinary.'

"The revenue exceeded the expenditure in the year 1871-72 by £3,124,177; in the year 1872-73 by £1,765,672; in the year 1873-74 by £2,071,937; and in 1874-75 it is estimated to exceed the expenditure by £1,889,000. In the four years, therefore, there appears upon the face of the account to have been a surplus of revenue over expenditure of no less than £8,850,786.

"These figures, however, present the account in rather too favourable a light. Certain deductions, with the reasons for which I need not trouble the Council, should be made from the revenue in order to show the correct balance between income and expenditure. I calculate these deductions to amount in the four years to £1,738,253, but, after making them, the surplus still amounts to the goodly sum of £7,112,533.

"The expenditure upon famine relief in 1873-74 was £3,864,673, and the estimated expenditure for 1874-75 is £2,442,000, giving a total of £6,306,673. After charging the whole of this expenditure against the ordinary revenue of the four years, there remains a surplus of £805,860. I am informed that the accounts for 1874-75 will probably show a larger increase than usual over the Regular Estimate, and we may confidently anticipate that, after defraying the famine charges, there will remain a surplus of revenue over expenditure in the four years of not less than a million sterling.

"In a Resolution of the Government of India last year we expressed our opinion that, 'besides a fair surplus of income over ordinary expenditure, such a margin should be provided as would constitute a reasonable provision for meeting occasional expenditure upon famines.' The financial history of the last four years shows that such a margin has been amply provided. We have met a very large expenditure for famine relief out of the ordinary revenue of four years, with a substantial balance besides. It may interest the Council to know that when a calamity of the same kind fell upon Great Britain, in consequence of the failure of the potato crop of Ireland, only two millions out of a total expenditure of about ten millions was defrayed from ordinary sources of

revenue, the remainder having been raised by loan and not appearing, according to the best information I can obtain, in the accounts of ordinary income and expenditure.

“In several despatches which successive Secretaries of State have addressed to the Government of India on the subject of finance, a desire has been expressed—more I think in the nature of a hope than of a confident expectation—that the Indian finances might show an annual surplus of more than £500,000. It will be seen that our surplus in four years has amounted to £7,000,000, or more than three times the sum which the Home Government has desired.

“This satisfactory result, moreover, has been accompanied by a considerable remission of taxation. In the year 1873, the Income tax, which during the preceding two years had produced a net sum of £1,362,570, was allowed to lapse. The Southern Customs Line, which drew its long and obstructive length of 800 miles across Central India, has been abolished at a considerable sacrifice of the salt revenue; and yet in each of the last two years we have realised a very substantial surplus.

“Our cash account for the four years we are examining is given in a statement which is in the hands of Members of Council.

“The cash balance in India and England stood on the 1st of April 1871 at £20,124,715, and it was estimated to stand on the 31st March 1875 at £18,386,198. We have spent in the four years on Public Works Extraordinary £11,401,351, the balances of the Guaranteed Railway Companies have been diminished by £1,212,466, a disbursement which is of the nature of a reduction of debt, and we have lent to Native States, Municipalities, &c., £1,570,231, which we shall eventually recover, and which in the meantime has been of great benefit to those whom we have assisted. These disbursements, amounting together to £12,613,817, have been met as follows:—By diminution of cash balances, £1,738,517; by surplus of revenue over expenditure, £805,860; by excess of receipts over disbursements on the sundry accounts which are embraced in our cash transactions, £2,103,007; and by net increase of debt, £9,530,664,—an increase which is considerably less than the sum spent upon Public Works Extraordinary.

“The terms upon which loans have been raised in India and England in 1874, and in India in June last, are as follows:—

“In 1874—Five millions sterling were borrowed in England at £101-7-11½ for £100 stock. Two and a half crore of rupees were borrowed in India at Rs. 102-12-2 for 100 Rupees stock.

“In 1875—Two and a half crore of rupees were borrowed in India at Rs. 102-3-8 for 100 Rupees stock.

“These terms afford a proof of the high estimation which is entertained of the credit of India in the money market, both here and in England.

“The cash balances in India were estimated to amount at the beginning of the present financial year to £15,700,012. This is held by some to be too high an amount, and the business of the Government could certainly be transacted with lower balances; but I do not consider them to be excessive, considering the magnitude of the liabilities to which the Government of India is exposed, and the difficulty that would be found in suddenly increasing our means in case of need. India is in this respect very differently situated from England. London is the centre of the banking business of the world, and in England the Chancellor of the Exchequer can, if he pleases, safely reduce his cash balance to the amount which is just sufficient to meet the business of the day; but the money market of India is very limited, and it would be hazardous to rely upon it for temporary assistance if a sudden demand should come upon the State, particularly as such a demand would almost certainly occur at a time when there would be a pressure for accommodation on the part of the public. The condition of the Calcutta money market in the beginning of 1873, when considerable funds had to be suddenly supplied to pay for rice from Burma and elsewhere, sufficiently indicated the risk which would be run by reducing our cash balances too low. I entertain a strong opinion that a substantial cash balance over and above what is absolutely required, although it involves a considerable annual cost from loss of interest, is essential to the security of the finances of India.

“The Council will, I think, desire to consider to what causes the satisfactory condition of our finances is to be attributed. First I will observe that great improvements have been effected of late years in our estimates

and accounts. Unless estimates are carefully framed and accounts promptly and accurately rendered, a Government is liable to fall into difficulties without any warning. Nothing can be better than our present system of estimates and accounts, and I am sure Sir Richard Temple will confirm me when I add that the chief credit for this improvement is due to Mr. Chapman, the Financial Secretary to Government.

“The sound condition of our finances, in my opinion, mainly results, on the one hand, from the gradual increase of the revenue in consequence of the increased wealth and prosperity of the country, and, on the other, from the exercise of strict economy in every department of the State. Both these subjects are so important that it is worth while to illustrate them by a few figures.

“We have sources of revenue which mainly depend upon circumstances other than the progress of the wealth and prosperity of India. Our opium receipts depend upon the supply of the drug and the demand for it in China. Although our land-revenue, taking a term of years, depends upon the increased wealth of the country, yet the increase arises from time to time as existing settlements expire, and it would be difficult without going into lengthy explanations to exhibit any comparative statement that would be of value for my present purpose. I will therefore confine myself to the revenue derived from Customs, Salt, Excise, and Stamps, all of which mainly depend upon the general prosperity of the country. I take the net receipts from these taxes since the year 1870-71, because alterations were made in 1869 in the Salt and Stamp Laws as well as in the tariff valuations, which would vitiate the comparison with former years.

“The average annual net receipts from Customs, Salt, Stamps and Excise in the three years from 1870-71 to 1872-73 amounted to £12,691,262 a year. In the years 1873-74 and 1874-75 the receipts rose to £13,035,857 a year. These figures exhibit an increase, in the last two as compared with the first three of the five years, of £350,000, and this increase has taken place notwithstanding some remissions of Salt and Customs duties.

“On the other side of the account we have to meet expenditure which depends but little upon the action of the Government of the day—for example, the interest of our debt, and the charge for superannuation and retired allow-

ances. Taking the expenditure within the control of Government, namely, the cost of Civil Administration, Law and Justice, Public Works, the Army, and the Marine Service, I find that the average annual expenditure for the three years 1867-68 to 1869-70 was £31,833,512; for the three years 1870-71 to 1872-73, £29,748,527; and for the two years 1873-74 and 1874-75, £29,331,793. The average annual expenditure upon these services during the last two years is therefore less by two millions and half than it was six years ago, and less by rather more than £400,000 than it was three years ago.

“These figures show that while, on the one hand, the revenue steadily increases, although not at a very high rate, on the other, the expenditure has been carefully supervised by the Government,

“I can say this without scruple, because the result is mainly due to the attention which was paid to the control of expenditure while Lord Mayo was Viceroy, and it was the constant care of Sir Richard Temple during the time he filled the office of Financial Member of Council. The exertions of the Government have been cordially seconded by the several departments of the Government of India, by the Local Governments, and by all the officers concerned throughout India; and the thanks of the Government of India are due to them for their valuable co-operation,

“While such has been the result of the Imperial finance of the past four years, the Government have not neglected the subject of provincial taxation. In 1872 circulars were addressed to the different Local Governments, and the opinions of officers, both English and Native, were obtained respecting the effects of provincial and local taxation. The answers showed that there were at that time some taxes which were productive of discontent, and which might with advantage be discontinued. In the Madras and Bombay Presidencies the taxes to which most objection was then taken have been readily abandoned by the Local Governments. In the Central Provinces the Pándharí tax,—a direct tax which extended over a very large number of people,—has been greatly modified. The only new measure of provincial taxation which has since been carried into effect is the road cess in Bengal,—a proper and legitimate impost which, owing to the care which has been taken by Sir George Campbell and Sir Richard Temple to apply it gradually and cautiously to the different parts of the Province, is being levied without difficulty, and applied to the advantage of the people who have to pay it.

“The Council will have observed that in the remarks which I have hitherto made I have only cursorily alluded to what is termed ‘extraordinary’ expenditure. This, however, is a part of our annual expenditure of great importance, a notice of which cannot be properly omitted in any review of the finances.

“I have seen it observed that we have in the last few years ‘drifted back into a condition of chronic deficit,’ and that the expenditure upon railroads and irrigation works has greatly increased. This misconception may perhaps have arisen from the manner in which the account of our annual revenue and expenditure is published. What is called the ‘extraordinary’ expenditure is added to the ordinary expenditure of the year, and the result appears at the bottom of the account. Those who have made a study of the accounts are able to appreciate the real facts of the case, but they are not unlikely to be misunderstood by others who have not had time or opportunity for such a study. If the expenditure upon works such as railroads, which are of too great magnitude to be paid for altogether out of the ordinary resources of the Government, and which are in the nature of investments of capital, be added to the ordinary expenditure, the result must be a deficit. But expenditure upon such works belongs to an entirely different category from the ordinary expenditure of the State, and ought to be excluded in drawing a balance between income and expenditure for the practical purpose of showing the real surplus or deficit of the year.

“In England, works of this kind are carried out by private enterprise without the aid of the State; in India this has been found to be impossible. The works themselves are essentially reproductive, in the broadest sense of the term,—I mean that whether or no they may pay the full interest on the capital invested they certainly add to the general wealth of the country—and moreover, in my opinion, they will directly or indirectly recoup to the State the full interest on the capital expended in their construction. Whether the capital be raised by giving a guarantee by the State of a fixed rate of interest to private companies, as has been done in the case of what are termed ‘guaranteed railroads,’ or the capital be borrowed by the State and the works carried on by the agency of the officers of Government, is, so far as the finances are concerned, one and the same thing.

“In order, therefore, to institute a correct comparison between the expenditure on such works in recent years, and the expenditure which formerly

prevailed, it is necessary to add the expenditure of guaranteed rail-road capital to the direct expenditure by the State. I have had a return prepared showing the sum spent annually upon rail-roads and irrigation works, both from guaranteed capital, and directly by the State, and I will give the Council the results shown by that return. In the four years from 1867-68 to 1870-71 the sum of £25,830,518 was spent by Government and from guaranteed capital together, which gives an average annual expenditure of £6,332,629. In the four years from 1871-72 to 1874-75 there was spent from similar sources a sum of £16,617,871, which gives an average annual expenditure of £4,161,967. The annual rate of expenditure therefore during the last four years has been less by more than two millions than that of the preceding four years.

“But it is of more consequence to consider whether the expenditure which has hitherto taken place has been wise; and whether, although its rate may be diminished, it is at the present time within the resources of the Government.

“The answer to the first question is supplied by the steady progress of the national wealth since the policy of pushing forward railways throughout India was adopted in the time of Lord Dalhousie, and by the sound and satisfactory condition of our finances. In reply to the question whether our present rate of expenditure is within our resources, I need hardly do more than remind the Council of the careful forecasts which have been published showing the calculations upon which the present rate of expenditure has been determined. We considered that, however advantageous the extension of railroads or irrigation works might be, it would not be right to carry them on at such a rate as would require the imposition of fresh taxes, and the rate of expenditure has therefore been based upon calculations showing that any additional interest for which we may be liable on account of money borrowed for the purpose of constructing rail-roads and canals will be met from increased receipts derived from works which have been, or will from time to time be, completed and brought into operation. The calculations originally made in 1873 were carefully checked this year, and the Government have no doubt of their substantial accuracy.

“I may observe, moreover, that we are now in a far better position than we have been at any former time in respect to our liability for the completion of railroads and irrigation works.

“So long as the main lines of communication—such as the East Indian and the Great Indian Peninsula Railways—were in progress, a very large

liability rested upon the Government for their completion; a liability which, as those rail-roads were constructed by guaranteed companies, could not be set aside whatever financial exigencies might arise. Now that the principal lines of communication are completed and the works under construction are of a more limited character, this liability for the future expenditure necessary to complete works under construction is considerably diminished. The rate of progress, moreover, is now almost entirely at the command of Government, because the works are mainly constructed directly by the State, instead of through the agency of guaranteed companies. I believe that in the course of a few years our liability will never at any time much exceed the annual sum which is appropriated to the construction of such works. Thus, in the case of a failure of any great branch of our revenue, or if other calls, such as those of war, should fall upon the Government, we should be able within a very moderate time to contract our expenditure, without subjecting the country to the loss which would be occasioned by abandoning important works before they are brought into remunerative operation.

“I have one more remark to make upon this subject. Although the Government, rightly in my opinion, preferred the more expensive mode of construction of the Indus Valley railroad in order to complete a very important trunk line upon the broad gauge, we feel that the utmost possible economy should be observed in the construction of public works in India. We are therefore carrying out the narrow gauge system of rail-roads for the minor lines of communication; we reconsidered a few years ago the schemes of irrigation works which were then before us, and abandoned, for a time at any rate, works which were projected at an estimated cost of not much less than 9 millions sterling. We have recently, in discussing the projected irrigation works for Behar, impressed upon the Government of Bengal, and upon the Engineer Officers who were engaged in making the plans, the necessity of carefully considering certain minor works which will probably be sufficient for the purposes in view, in lieu of more ambitious schemes which, however creditable they may be to their constructors, are not likely to be remunerative, and indeed are not unfrequently accompanied by serious drawbacks to the advantages which irrigation undoubtedly confers upon most parts of the country.

“The general conclusion to be drawn from a review of the present state of finances of India is highly encouraging. It is dangerous to anticipate the future; but with one exception I see no reason to doubt that, so long as a wise

economy prevails, the prosperous condition of Indian finances will be maintained. The exception to which I allude is the effect of the recent fall in the value of silver. This subject has been alluded to by Sir William Muir, and comes home to most of the English residents in India. Every one who has to make a remittance to England, that is to say who has to make a payment in gold while he receives his income in silver, has to pay more silver, or in other words a larger portion of his income, than he had to pay when the value of silver was higher.

“The Government of India is one of the best abused Governments in the world, and I have seen it asserted that this fall in the value of silver is our fault. This accusation reminds me of the witty lines—

“Who makes the quartorn loaf and Luddites rise?
Who fills the butchers' shops with large blue flies?”

“I need hardly say that the Government is not a whit more responsible for the fall in silver than Buonaparte was for the flies. Governments can do much—when they interfere with trade they usually do much harm—but they are powerless to control the value of any article in the markets of the world. What the cause of the fall in silver has been, and how long it may continue, is not easy to say. It may be produced mainly by the change in the currency of some European Nations from silver to gold, which has thrown a large quantity of silver into the market. It may arise from the increased production of silver. As long as it lasts, however, the Government of India suffers in common with private individuals. The Government of India has to make large fixed payments in gold out of income received in silver, and a fall in the value of silver raises the cost of those payments. This really governs the item ‘loss by exchange’ which has of late years figured so heavily on the wrong side of our accounts; for whatever temporary fluctuations in the rate of exchange may be produced by the balance of trade between India and other countries (and the measure which I hope we shall pass to-day by encouraging the export trade may have a temporary effect upon the rate of exchange, and, so far, assist our finances), these fixed payments in gold must in the long run constitute a lighter or heavier charge upon the Indian finances in proportion to the rise or fall in the value of silver.

“The net sum provided in the estimates of the current year for loss by exchange amounts to more than a million sterling, and if the value of silver should continue to fall, this charge will be considerably increased. But I do

not think that this liability seriously affects at present the reasonable prospect we have of a substantial surplus in future, provided—and I cannot repeat this too often—a careful check is kept upon increases of expenditure.

“The condition of the finances of a country greatly depends upon the state of its trade, and the information which Sir William Muir has given us of the progress of the trade of India is highly encouraging.

“Mr. Wilson, who came to India with a long financial experience, in his budget statement of 1860, made at a time of gloom, expressed a sanguine view of the future finances of India; and brought forward, as the principal reason for his favourable anticipations, statistics showing the progress of the Indian foreign trade during the preceding five and twenty years. The most recent returns, when Mr. Wilson made his celebrated budget speech, were those for the year 1858-59. Fifteen years have passed between that year and the year 1873-74, which is the last for which we have complete Trade and Navigation accounts; and it is not without interest to examine how far Mr. Wilson's hopes have been realized.

“The average annual value of the foreign trade of India, including imports and exports of merchandise and treasure, for the five years ending with 1838-39, was £18,638,552.

“For the five years ending with 1858-59, the average annual value rose to £52,700,013.

“The increase was £34,061,461, or at the rate of about £1,700,000 a year for the 20 intervening years, and these were the results which Mr. Wilson stated.

“For the five years ending with 1873-74, the value of our foreign trade has further risen to an annual average of £95,077,948.

“This increase, as compared with the five years ending with 1858-59, was £45,646,103, or at the rate of about £3,000,000 a year for the 15 intervening years. The rate of increase has therefore far exceeded that which Mr. Wilson regarded with so much satisfaction.

“Individual years included in this period have shown considerable fluctuations. The extraordinary development of the export trade in raw cotton during the American War was followed by the usual re-action. The accidents of the

seasons have affected both the produce of the principal Indian staples, and the quantity of them available for export. The lowering of the valuations of cotton goods and metals in 1869 by 15 per cent. has considerably affected the returns, and the imports of railway materials have varied according to the requirements of the State. But the broad result drawn from averages of years, which is the only safe way of making a calculation of the kind, has amply justified Mr. Wilson's anticipations, and proved the soundness of his observation, that let cultivation be extended ever so much, there would be no fear of the want of a market for the produce of the Indian soil.

“Of late years, since the old Indian manufactures decayed owing to competition coupled with the heavy import duties imposed in old times upon their import into England for the purpose of protecting English manufactures, the principal exports of India have been raw products; but I agree with Sir William Muir that there are signs that Indian manufactures may again before long take their place in the market of the world.

“The conclusions which I believe may safely be drawn from the considerations which naturally present themselves in discussing the subject before us are that the trade of India is steadily increasing; that our finances are sound, but that their stability mainly depends upon the exercise of strict economy in our expenditure; and that the relief from taxation that we propose is both safe and wise. For, to adapt the weighty words of our greatest English financier, we abolish restrictions upon the application of capital and the exercise of industry and skill, and the principal object of our policy is to give full and free scope to the energies of the people of India.”

The Motion was put and agreed to.

The Hon'ble MR. HOPE moved that the Bill be passed.

The Motion was put and agreed to.

LAW REPORTS BILL.

The Hon'ble MR. HOBHOUSE introduced the Bill for the improvement of Law Reports, and moved that it be referred to a Select Committee with instructions to report in six weeks.

The Motion was put and agreed to.

REFORMATORY SCHOOLS BILL.

The Hon'ble SIR A. ARBUTHNOT introduced the Bill to provide Reformatory and Industrial Schools, and moved that it be referred to a Select Committee with instructions to report in four months. He said that at their last meeting the Council gave permission for the introduction of this Bill. On that occasion he endeavoured to explain the circumstances under which the Government of India had deemed it expedient that legislation should be resorted to on this subject. He showed that so far back as 1861 the matter had engaged the attention of the framers of the Code of Criminal Procedure, and that they had inserted in that Code a provision having for its object the establishment and utilization of Reformatories, but that that provision was in one important respect defective; that the defect had attracted the attention of the Government of Bombay which, in the very year in which the Code of Criminal Procedure was passed, framed and passed through their Council a Bill for remedying the defect, which however was vetoed by the Governor General; that a similar Bill was framed in the following year, which shared a similar fate; that in 1867 the subject again attracted attention and received consideration from the Government of India, and also from the Government of Madras, and elicited from the Governor of that Presidency a forcible and, in SIR A. ARBUTHNOT'S opinion, a very just representation; that more recently the question had occupied the attention of the Lieutenant-Governor of Bengal and also that of His Excellency the President; and that after further consideration the Government of India had come to the conclusion that it was desirable no longer to postpone a resort to legislation for the purpose of enabling the several Local Governments to provide that youthful offenders should be secluded for longer periods than was possible under the existing law, with a view of reclaiming them from the evil habits and associations in which they had been brought up, bringing them under salutary influences, and training them to habits of honest industry. At the last meeting he had omitted to advert to one point of some importance in connection with this Bill, namely, the number of juvenile offenders in any Presidency or Province who could be brought under the influence of a reformatory, if such institutions existed. In the correspondence to which he had referred, it was shown that in the year 1866 in Madras the number of juvenile offenders in our prisons in that Presidency was less than 70; but it was also shown that this small number was, in point of fact, no criterion of the number of youthful offenders who might with advantage be brought under the influence of a reformatory; for it appeared that during the period in question no less than

651 boys had been sentenced to punishment, most of whom probably had been flogged and dismissed, and it was obvious that many of them probably would and might, with great advantage, have been sent to a reformatory. It appeared that in the one institution of this character, which existed at present in India—the Sassoon Reformatory at Bombay—there were at present over 100 inmates, and in the juvenile prison at Poona there was about half that number. According to Sir Richard Temple's estimate, the number of juvenile offenders now in the jails in the Province of Bongal was about 100, and the Lieutenant-Governor anticipated that if a reformatory should be established, about an equal number of juvenile vagrants who were being trained to crime, might be expected to be received into it under the provisions of the Bill which he (SIR A. ARBUTHNOT) was now introducing.

Having made these preliminary remarks, he would request the notice of the Council to one or two of the leading provisions of the Bill. He might, in the first place, observe that the principle of the Bill was very similar to that of the English law bearing upon the subject, which was contained in two Statutes, chapters 117 and 118 of 29 & 30 Vic. The provisions, or perhaps he should say, the ideas, of those two Statutes were combined in the Bill now before the Council. In England, it had been deemed expedient to provide separate legislation for the two different classes of persons with which we proposed to deal. Under the English Statutes two separate classes of institutions existed for those separate classes of persons. Under the first of the English Acts (117 of 29 & 30 Vic.), Reformatory Schools were established and made use of for juvenile offenders who had been convicted of offences. Under the second Statute (Cap. 118) schools, which were called Industrial Schools, were established for the reclamation of boys and girls who were found to be in close association with the criminal classes, to be leading vagrant lives, and to be, in the opinion of the authorities, suitable persons to subject to the influences of an institution of this character. It had been deemed sufficient here to provide in a single Bill for the two classes of persons to whom he alluded. There were one or two points of detail in which the Bill before the Council differed from the English Acts. The English Reformatory Schools Act limited the period during which a youthful offender might be confined in a reformatory to five years, and under that Act the maximum age at which he could be sent to a reformatory was 16 years, and in the case of a youthful offender under the age of 10 years, an order could not be passed sending him to a reformatory unless he had already been sentenced on conviction for some

criminal offence. Under the English Industrial Schools Act the maximum age for sending youths, whom he might designate as juvenile vagrants, or the juvenile associates of criminals, to an Industrial School, was 14 years. Under that Act also, a child under 12 charged with certain offences must go to an Industrial School, and there was a provision in it, which we had not adopted here, which enabled refractory children under the age of 14, at the instance of their parents or guardians, to be sent to an Industrial School. That provision, he had reason to believe, had been found in England to be susceptible of some abuse, and certainly in this country it did not seem advisable to resort to it. Under the Bill now in the hands of the Council the maximum age at which boys could be sent to a Reformatory and Industrial School was fixed at 14 years, and that was only applicable to the cases of boys convicted of the offences which, under the Penal Code, were punishable with transportation or imprisonment, in fact, of offences of the more serious character provided for in the Code. In the case of boys convicted of offences which were simply punishable with imprisonment, the maximum age at which they could be sent to a Reformatory was 12 years. Under the Bill the maximum period for which a boy could be detained in the institution was seven instead of five years, the term named in the English Acts. In those Acts and in the Bill, the maximum age up to which a boy might be detained was specified at 16 years. In the English Acts, while there was a practical limit as to the number of years of detention, there was no limit to the age further than that which was provided by fixing a limit as to the age up to which a juvenile offender might be sent. All these provisions of detail would have to be carefully examined by the Committee to whom the Bill would be referred, and he had no doubt that they would also engage the attention of the various local authorities.

He might mention that it had not been deemed expedient in this country to apply this legislation to the case of girls. Probably the operation of the Bill would principally be confined to schools established and maintained by the Government, but it would also be applicable to private institutions, and it so happened that there was at the present time one existing private institution—the Sassoon Institution at Bombay—to which, no doubt, the Bill would, if passed, become applicable. Provision was also made for enabling Municipal authorities to establish institutions of this character and for bringing them under the operation of the Bill. The only other provision to which he need draw the attention of the Council, was one

contained in section 20, one of the sections relating to Boards of Management, which provided that on every Board there should be at least two Native members. This was a provision which had been deemed to be of importance by the Government. Inasmuch as the proposed legislation was of a novel character, and might be said, in some respect, to affect the liberty of the subject, it was very desirable that the Native community, through their representatives, should have every opportunity of watching the working and operation of the institutions which might be established under the Bill.

The Motion was put and agreed to.

The Hon'ble SIR A. ARBUTHNOT then moved that the Bill be published in the local official *Gazettes* in English and such other languages as the Local Governments thought fit.

The Motion was put and agreed to.

CENTRAL PROVINCES LAWS BILL.

The Hon'ble SIR DOUGLAS FORSYTH moved for leave to introduce a Bill to declare and amend the law in force in the Central Provinces. He said that the necessity for a Bill of this kind would be apparent if he placed before the Council in a very few words a description of the territories which formed the Central Provinces.

The Central Provinces were formed under the Resolution of the Government of India dated 2nd November 1861, and comprised the Province of Nágpur and the Ságar and Narbada territories.

To these were added Sambalpur with its dependencies in 1862, the District of Nimár in 1864, and the Bijeragogarh territory in 1865.

By the death of the last Bhonsla Rájá in 1853, who left no heir, the Nágpur Province lapsed to the paramount power, but for some time previous to this event a considerable supervision over the administration had been exercised by the British Resident.

In fact, for a period of some twelve or thirteen years, during the minority of Rájá Raghuji III., the administration of the country was conducted by the

British Resident under the orders of the Governor General and by the aid of British officers.

Sir R. Jenkins, the Resident, issued orders and proclamations laying down a system of procedure and principles of law, based on general instructions issued by the Supreme Government.

Under that system the people were secured in their own laws based on the customs and usages of the country, but in *criminal* punitive law the system was based on the Bengal Regulations.

One or two rather objectionable customs were however abolished, such as the auction sale of widows and the levy of a tax on the remarriage of widows and the putting to death of witches, whilst an order was given to punish persons who should denounce another as a wizard or witch.

Sir R. Jenkins' system of administration seemed to have been retained to a considerable extent, even after the Rájá attained his majority; and up to the time of the death of the last Chief in 1853 and on the assumption of the administration of the country by the Government of India, Sir R. Jenkins' system was authoritatively re-introduced and subsequently was somewhat modified by the introduction of the Panjáb civil judicial system with some improvements borrowed from Assam.

The Ságar and Narbada territories were acquired by treaty: the former in 1817 from the Peishwa Báji Rao; the latter in 1818 from the Rájá of Nágpur. He would quote from the Resolution of the Government of India:—

“These territories have been transferred at various times from one Government to another. They were originally under the Supreme Government; subsequently they were placed under the Lieutenant-Governor of Agra. Again in 1842 the general control of them was vested in a Commissioner and Governor General's Agent in direct communication with the Supreme Government, while the supervision of fiscal and judicial affairs remained with the Sadr Board and Sadr Court at Agra respectively. Again at a later date the general jurisdiction was once more entrusted to the Government of the North-Western Provinces, under which it remained up to the time of annexation.”

These territories were first governed by special rules issued to the Commissioners, and subsequently by the spirit of the Regulations of Government applicable to the Province: though in a report written in 1834, Mr. Bird

declared that of the British officers supposed to be conducting the administration in accordance with the spirit of these Regulations, not one had read a word of them, and the spirit and all that was valuable in the Regulations was unknown.

Subsequent to this sweeping condemnation and before their incorporation with the Central Provinces, the Sagar and Narbada territories had the good fortune of being administered by officers of very high distinction, such as General Sleeman, Sir D. McLeod, and Mr. A. Roberts, to the last-mentioned of whom the Province was indebted for a Code of Civil Procedure, which was adopted to a very great extent in the formation of the Panjáb Civil Code, which in its turn was sent to the Central Provinces as a model for guidance.

Sambalpur with its dependencies lapsed to the British Government in 1849, up to which time the civil, police and judicial administration had been conducted by the Rájás in their own way; and if he might trust Mr. Nicholls, a Civilian who had drawn up a most valuable work on the Law, special and local, of the Central Provinces, and from whom he was quoting largely now, it would appear that until the Province was made over to the Chief Commissioner, Nágpur, in 1862, it was governed by our own officers very much in the same manner. Mr. Nicholls said that Sambalpur was treated as what was called a political mahál. If justice was administered, it was, as in Nimár, justice without the niceties of law, and the spirit of the laws and regulations was observed, if observed at all, in a Pickwickian sense. In Nimár our first acquisitions were by treaty from the Peishwa in 1818, and the desolation of the tract acquired was such as to give rise to the saying that "there is not a crow in Kanapur Beria."

As Mr. Nicholls remarked, the political condition coupled with the original desolation of the country, and superadded to the curiously vagrant habits or instincts of a very large portion of the inhabitants, formed at all events a fair excuse for the almost entire absence of authoritatively imposed laws and regulations in Nimár.

Even so late as 1862, Sir D. FOSYTH found in the annual report the following important postscript:—

"There is no authorized Code of Civil Procedure in Nimár. Improvements have been introduced from time to time and in some instances the spirit of Act VIII of 1859 is acted upon. But with the weak establishments in Nimár we can attend to justice only, and not to justice and the niceties of the law combined."

Nimár was incorporated with the Central Provinces in May 1864.

Bijeragogarh was first brought under the management of political officers in 1848 during the minority of the last Chief, Surju Pershád. When he attained his majority, he was placed in full possession of his hereditary estate, but shortly afterwards the mutiny broke out and he was induced to rebel. His territory was confiscated and placed under the charge of the Governor General's Agent in Bandelkhand and was finally incorporated with the Central Provinces in 1865.

Such was a very summary glance at the history of the various tracts which went to make up the present administration known as the Central Provinces.

In his report for 1862-63, the then Chief Commissioner, Sir Richard Temple, thus described the previous judicial condition of these Provinces :—

“In other Non-Regulation Provinces even where there were no laws there was yet a rule and system clear and complete. But in the territories newly brought together under the general designation of the Central Provinces, there could be no universal procedure, no general regulation, no complete legal foundation for the conduct of affairs. There were up to the year 1862-63 a variety of laws, rules and systems, each having force more or less in the several parts, but none having force over the whole.”

In 1866 the Chief Commissioner addressed the Government of India on the subject of declaring what Acts and Regulations should be considered applicable, and a long correspondence ensued. He might here remark that in the Resolution of the Government of India, the administration of the Central Provinces was declared to be formed on a system similar in most respects to that which existed in the Panjáb and Oudh.

When, therefore, it became necessary a few years later to pass an Act of the Legislature to declare what the law was in the Panjáb, and the same is now being done in respect of Oudh, it followed, as a necessary consequence, that the same operation must be performed with regard to this younger Province.

The Motion was put and agreed to.

The following Select Committees were named :—

On the Bill for the improvement of Law Reports,—the Hon'ble Sir A. Arbuthnot, Sir D. Forsyth, and Mr. Hope and the Mover.

On the Bill to provide Reformatory and Industrial Schools,—the Hon'ble Mr. Hobhouse, the Hon'ble Sir W. Muir, Sir D. Forsyth and Mr. Hope and the Mover.

The Council then adjourned to Thursday, the 19th August 1875.

SIMLA,
The 5th August 1875. }

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

Statement showing the Revenue and ordinary Expenditure of the Government of India in India and in England for the four years from 1871-72 to 1874-75, the expenditure for Famine Relief in the years 1873-74 and 1874-75, and the surplus upon the whole ordinary account.

Year.	Revenue.	Expenditure.	Surplus.
	£	£	£
1871-72	50,110,215	46,986,038	3,124,177
1872-73	50,210,489	48,453,817	1,756,672
1873-74	49,611,711	47,539,774	2,071,937
1874-75 (Regular Estimate)	50,070,000	48,181,000	1,889,000
	TOTAL	...	8,850,786
	*Deduct receipts not ordinary revenue	...	1,738,253
			7,112,533
	Surplus, excluding Famine Relief	...	7,112,533
1873-74 (Expenditure on Famine Relief) ... ..	.....	3,804,673	
1874-75 (Regular Estimate) ... ..	.....	2,442,000	
	Total Famine Relief	...	6,246,673
	Surplus upon the whole ordinary account for the four years, including Famine Relief	...	805,860

*These receipts consist of transfers from Military Funds, £1,315,405, and loss by exchange saved by borrowing in England (net) £422,753.

FINANCIAL DEPARTMENT; }
 Simla, 4th August 1875. }

R. B. CHAPMAN,
 Secretary to the Government of India.

*Abstract of the Receipts and Disbursements of the Government of India in
India and England from 1871-72 to 1874-75.*

RECEIPTS.	£	DISBURSEMENTS.	£
Cash balance 1st April 1871 ...	20,124,715	Public Works Extraordinary...	11,401,351
Surplus upon the ordinary account, 1871-75 ...	805,860	Guaranteed Railway Capital repaid ...	1,212,466
Sundry accounts ...	2,103,007	Loans to Native States, &c. ...	1,570,231
Borrowed ...	0,536,664	Cash balance 31st March 1875 (Regular Estimate) ...	18,836,198
	32,570,246		32,570,246

FINANCIAL DEPARTMENT; }
Simla, 4th August 1875.

R. B. CHAPMAN,
Secretary to the Government of India.

*Statement showing the Expenditure of Guaranteed Railway Capital and upon
Public Works Extraordinary in each year from 1861-62.*

Year.	Guaranteed Railway Capital.	Public Works Extraordinary.	TOTAL.
	£	£	£
1861-62 ...	6,602,212	.....	6,602,212
1862-63 ...	5,803,344	.....	5,803,344
1863-64 ...	4,755,653	.....	4,755,653
1864-65 ...	4,122,240	.....	4,122,240
1865-66 ...	5,636,860	.....	5,636,860
1866-67 (11 months) ...	7,207,703	.....	7,207,703
1867-68 ...	7,120,081	602,462	7,722,543
1868-69 ...	4,451,508	*836,073	5,317,071
1869-70 ...	4,742,851	*2,612,663	7,355,514
1870-71 ...	3,776,270	*1,158,220	4,934,490
1871-72 ...	2,406,728	1,628,474	4,125,202
1872-73 ...	477,245	2,184,569	2,661,814
1873-74 ...	970,131	3,553,307	4,523,433
1874-75 (Regular Estimate) ...	1,390,467	*3,046,950	5,337,417

* These figures differ from the amounts charged in the Finance and Revenue Accounts by the sums that were paid in those years for the purchase of the Calcutta and South-Eastern Railway. These latter sums have been deducted, because they are included in the expenditure of Guaranteed Railway Capital, viz.:-

	1868-69.	1869-70.	1870-71.	1874-75.
	£	£	£	£
Public Works Extraordinary per Finance and Revenue Accounts ...	1,370,613	2,599,614	1,167,810	4,035,000
Less for Calcutta and South-Eastern Railway ...	531,510	—13,019	9,590	88,050
	836,073	2,612,663	1,158,220	3,946,950

FINANCIAL DEPARTMENT; }
Simla, 4th August 1875.

R. B. CHAPMAN,
Secretary to the Govt. of India.