

Saturday, February 9, 1878

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,

ASSEMBLED FOR THE PURPOSE OF MAKING

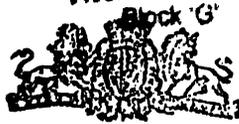
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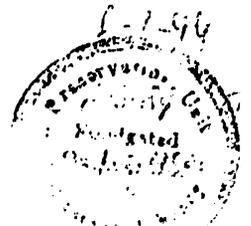


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1879.



Abstract of the Proceedings of the Council of the Governor General of India assembled for the purpose of making Laws and Regulations under the provision of the Act of Parliament, 24 & 25 Vic., cap. 67.

The Council met at Government House on Saturday, the 9th February, 1878.

PRESENT :

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

His Honour the Lieutenant-Governor of Bengal, C.S.I.

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

The Hon'ble Sir E. C. Bayley, K.C.S.I.

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

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

Lieutenant-General the Hon'ble Sir E. B. Johnson, K.C.B.

The Hon'ble Whitley Stokes, C.S.I.

The Hon'ble F. R. Cockerell.

The Hon'ble B. W. Colvin.

The Hon'ble Maharaja Jotindra Mohan Tagore.

The Hon'ble T. C. Hope, C.S.I.

The Hon'ble Sir Shamsheerparkash the Raja of Sirmur, K.C.S.I.

The Hon'ble Mumtaz-ud-Daulah Nawab Sir Muhammad Faiz Ali Khan Bahadur, K.C.S.I.

The Hon'ble T. H. Thornton, D.C.L., C.S.I.

The Hon'ble G. H. P. Evans.

The Hon'ble G. O. Paul.

The Hon'ble E. C. Morgan.

NORTHERN INDIA LICENSE BILL.

The Hon'ble SIR JOHN STRACHEY moved that the report of the Select Committee on the Bill for the licensing of trades and dealings in the Punjab, the North-Western Provinces and Oudh be taken into consideration. He said :—
“MY LORD,—In asking the Council to take this report into consideration with the object of passing the Bill into law, I shall have little to say regarding the measure itself. The reasons for which new taxation is required, and the principles on which the actual proposals of the Government are based, have been so fully explained already, that it is quite unnecessary that I should enter into them

again. That further taxation is unavoidable to enable the Government to meet, as one of the ordinary charges of the State, the obligation of preserving the lives of the people in time of famine is admitted, I think I may say, by all reasonable men. The form which this fresh taxation should take is on the other hand a subject on which it is inevitable that differences of opinion should exist. I have stated on behalf of the Government the reasons which have led us to the conclusion that the trading and agricultural classes are those on which the obligation of contributing for the prevention and relief of famine more especially rests. These are the classes on which as a whole, and on which almost alone, the pressure of actual famine falls. They ought, therefore, to contribute for their own protection. In regard to the commercial and trading classes, there is also this strongest of all justifications for taxing them, that, excepting always that comparatively very small section of them which is composed of Europeans, they now pay almost nothing towards the expenses of the State. There is, moreover, this further reason, that although the trading and agricultural classes are the first to suffer when famine occurs within the limits of their own Provinces, they benefit immensely, taking them as a whole, by the occurrence of famine in other parts of the Empire. The misfortune of their neighbours brings to them wealth and prosperity.

“On the other hand, the professional classes and those who depend on fixed incomes for their support, although they suffer from the high prices caused by famine, are seldom the recipients of actual relief from the State; under no circumstances do they derive any advantage from famine when it occurs, and they have no power of passing on to others the burdens placed on themselves. The small officials and servants receiving wages are in this country very numerous, and there is certainly no class on which it would be less equitable to impose taxation for such a purpose as this.

“I quite sympathise with the feeling which makes so many people regret and protest against the apparent injustice of exempting from further taxation the happy possessors of large incomes derived from professional or official or other sources. But I will not enter into this question. Its real meaning is in my opinion simply this. Would not an income-tax upon all classes of persons and property have been better than the measures which have been actually proposed by the Government? I leave it to others to answer the question. For my own part, I have already said that I was always a supporter of the income-tax while it lasted, but I do not think that its re-imposition at the present time would be politic or just. Under such circumstances, moreover, as the present, Government has to consider what is practicable, and although I do not mean to say that it was really impracticable

to restore the income-tax, I freely confess that I should have been sorry to have had to propose it until the public was convinced that no other means existed of obtaining the additional revenue which was required. I said before, and I now repeat, that, in my opinion, we have to choose between measures such as those which are now before the Council and an income-tax. There is no other alternative that I, at least, can see.

“The objections to a license-tax like that described in the present Bill, are obvious. The tax necessarily falls comparatively lightly on those who can best afford to pay it. Here, again, I say, if you refuse this condition, you can only remove it by subjecting the commercial classes to an income-tax. The objection, that we were proposing to tax the rich too little has been to a certain extent removed by the change which the Select Committee has made in the Bill and which I hope the Council will accept, by which the maximum fee chargeable will be five hundred instead of two hundred rupees. The charge will give us very little more money, and it involves no principle; for whatever sum may be fixed as the maximum fee, must be fixed in a purely arbitrary manner. If, however, raising the amount to Rs. 500 makes the tax seem more equitable, this is itself an advantage. As to the objection which has been raised in some quarters, that this tax will fall mainly on the poor, I content myself with simply denying the fact. It will touch no person whose nett earnings are less than Rs. 100 year; and if any body asserts that in the Provinces to which this Bill refers, any man is poor who possesses an income of Rs. 100 a year, he is ignorant of the facts. Such a man is not poor; he is a man far removed above poverty, and well able to pay his contribution towards insuring the country against famine. To say that our new taxation will fall upon the poor is either an error or a calumny.

“As I shall show again presently, exactly the same thing is true regarding the additional rates which we propose to levy on the land. My old friend, Sir George Campbell, told the British public the other day, that his soul was ‘filled with anguish’ when he thought of the iniquity that we were committing in imposing taxes on the poorest classes for the benefit and at the instigation of the rich. Now, I am not going to make a counter-attack upon Sir George Campbell. If I could ever be inclined to do so, it would not be in this Council-room in Calcutta, in the great Province which owes to him, in my judgment, a lasting debt of gratitude for the admirable, but often far from pleasant, works which he performed as its Governor. But Sir George Campbell, with all his great qualities, has never been distinguished by his reticence.

“I remember on one occasion telling him myself, when he had issued a certain wonderful circular, that if his Secretary had done his duty, the manu-

script, instead of being sent off straight to the press, would have been accidentally mislaid for a fortnight. It is a pity that Sir George Campbell's letter to the *Times* did not suffer a similar fate: he might then have learnt that he had been knocking down the erections of his own fancy, and he might have written, as I hope his sense of justice will make him do now, an eloquent tribute of admiration to our measures.

“ We are doing none of those things with which Sir George Campbell has charged us. By the Bills now before the Council, we are imposing no fresh taxation whatever on the poor; and as to the Salt-tax, in regard to which our imaginary proceedings have made Sir George Campbell so especially unhappy, I will say now, what I have said before, that we have taken the greatest steps ever yet taken in India for reducing the pressure of this tax upon the poor, and giving to the mass of the people the largest possible supply of salt at the cheapest possible rate. In Northern and Central India, not only are we imposing no fresh burdens on the poorest classes, but we have already benefited these classes by the removal of taxation on salt to the extent of £200,000.

“ There is another fact bearing on the License Bill to which I must call attention. It is, as I have said, proposed that no person shall be liable to the tax whose annual earnings are less than Rs. 100. This does not appear on the face of the Bill, and the reason for this is that as the measure will extend to several Provinces and will have to be applied under conditions which vary considerably in different districts, it is not certain that the same minimum limit of taxable income will everywhere be appropriate. For independently of other considerations, the purchasing power of money varies greatly. Under the existing license-tax in the North-Western Provinces, no one is taxed whose presumed income is less than Rs. 200, and it may be found desirable to make no change in this respect. We desire to leave a wide discretion to the Local Governments, which are in the best position for forming sound opinions on such a subject. While however, the Government of India allows this discretion to be exercised for the relief of the tax-payers, it gives no such authority to extend the incidence of the tax downwards. Under no circumstances will the tax touch any one whose annual earnings are less than Rs. 100. Nor is this all. It will be observed that the lowest fee payable under the Bill is one rupee. The Bill declares that any person may claim to have the fee charged against him reduced or remitted altogether, if he can show that it falls at a higher rate than two per cent. on his annual earnings. Applying this rate of two per cent. to an income of Rs. 100, the minimum fee would be two rupees and not one rupee. The meaning of this is that the Government desires to leave to

the local authorities entrusted with the administration of the tax a discretion to reduce the demand when they are of opinion that it would fall heavily. Thus it will often happen in practice that the poorest class affected by the measure will pay at the rate of one per cent. only instead of two per cent., the rate charged on the higher incomes.

“ I need not say anything further about the License Bill. I think it will be convenient if I ask your Excellency and the Council to allow me to pass now to the other taxation Bills under which additional rates will be imposed on the land in Northern India. Those Bills are so closely connected with the Bill actually before us that they can hardly be considered separately, and I hope that the Council will agree with me in thinking it desirable that the discussion of the whole of our measures should take place while the present Bill is before us. My reason for saying this is that it is, as I have already fully explained, an essential part of the policy of the Government that this new taxation should fall both on the commercial and agricultural classes, and that so far as may be practicable each class shall bear an approximately equal burden. This principle has already been to a great extent carried out already. Additional rates similar in character to those which we are now proposing to levy in Northern India have already been imposed in Bengal, and the Bill taxing the commercial classes of that Province will, I presume, soon become law. We desire to apply the same principle to the other Provinces, the only exception being that, for reasons which have been stated at length to the Council, it is not thought proper to impose at the present time fresh taxation on the agricultural classes in Madras and Bombay.

“ When these Bills were introduced I said that the justice of imposing new burdens on the agricultural classes would be more questioned than that of imposing them on the traders, and referred prominently to the objections which had been and would continue to be urged against fresh taxation of this kind, on the ground that it infringed, or would be thought to infringe, the conditions of the settlement of the land-revenue. I declined, and must still decline, to discuss the question of the right of the State to impose such taxes, for as I have already said it is impossible that any Indian question could be named which has been more completely argued out during a long course of years than this, and no question could be named which has been more distinctly closed by positive decisions of Her Majesty's Government. I have now a right to assume (I am now quoting the words of the Secretary of State) that—

“ the levying of such rates upon the holders of land, irrespective of the amount of their land-assessment, involves no breach of faith upon the part of the Government, whether as regards holders of permanent or temporary tenures.”

“ I feel that I may also, without impropriety, decline to discuss the question whether, apart from the right to impose such taxes, the condition of the classes on whom in Northern India the actual burden will fall is such that they can pay without hardship the amount which it is now proposed to levy. That amount is one per cent. on the rental of the land. I do not, I hope, undervalue the opinions of those officers, some of them men who are entitled to be listened to with high respect, who think it inexpedient to impose any fresh taxation on the land. But this I assert that it is impossible for any one who knows anything of the real condition of the proprietors of land in any part of Northern India, to say that these rates will be more than an insignificant burden. It must be remembered that they, in common with the existing local rates to which they will be an addition, will be payable by the landlord, and will not fall on the poorer classes interested in the land. I do not deny that it will very frequently happen that the landlord will do every thing in his power and will often succeed in making his tenants pay the amount charged against him. But the same would be true of every other tax which could be imposed upon him, and this objection has no special force in the present instance. Neither can it be disputed that within the limits authorised by law, and justified by custom, rents will in the long run inevitably be raised by landlords, whether they are taxed or not, as they think consistent with their own interests, so long as the tenants will pay them. Tenants, however, are rapidly learning to protect their own rights, and it is not so easy as it once was to impose upon them demands unauthorised by law.

“ Before leaving this part of the subject, I may add that the Government of India has no intention of actually levying these additional rates in the North-Western Provinces until the country has completely recovered from the serious loss which it suffered from the almost total failure of the last summer crops. The Lieutenant-Governor has been informed that no additional demand will be made until the next agricultural year. The Government of the Panjab has decided that no similar reasons exist for deferring the collection of the new rate in that Province.

“ There is one objection to the imposition of new rates on the land which I fully admit is a real one. It is an objection which it has always been clear we should have to meet, and it received the careful consideration of the Government before these measures were proposed. I cannot state that objection more clearly than by quoting the following passage from the letter from the Government of the Panjab which has been laid before the Council :—

“ The Lieutenant-Governor would duly record, with reference to the Bill for enhancement of the local cess, that he believes that, although it will give rise to no active discontent of

expression of dissatisfaction, it will still be regarded by the people with some dissatisfaction, as involving a further departure than that taken in the original Local Cess Act, from the principle of the fixity of the land-revenue demand. This feeling of dissatisfaction will not be the less strong from the fact that the money raised under the new Act will possibly be spent out of the Panjab. To a trained intelligence it is easy to distinguish the proposed impost, which is no more than a tax upon rent, from an enhancement of the Government share of the produce of the land. But His Honour doubts whether it is possible to persuade uneducated zamindars, the more especially that the revenue is no longer taken in kind, but in cash, that the demand is not an increase on the amount of land-revenue which has in each district been fixed for the term of settlement. The Lieutenant-Governor does not however imagine that there will be any difficulty in collecting the enhanced tax, or that after a short time, the irritation caused will not pass away.'

"Although we have not received from the other Provinces objections similar to these which have come to us from the Panjab, there cannot be the least doubt that they will be felt as much in one Province as in another. They were urged in 1871 in the North-Western Provinces, when new local rates were imposed in the permanently-settled districts; they were urged at the same time in Oudh, they were urged in the Punjab; they will everywhere be urged now, and they will be urged again hereafter, if it should ever become necessary to place additional taxation on the proprietors of the land. Exactly the same objection was raised to the imposition of the income-tax on profits derived from land. The Government has, for years past, done its best to make people understand the essential difference between the land-revenue and taxes of this kind and in 1871, when the laws were passed under which the local rates in Northern India are imposed, the Legislature enacted, in the plainest possible language, that these rates 'shall be paid by the landlord independently of, and in addition to, any land-revenue assessed on the estate.'

"In spite, however, of all that has been done, the old ignorance continues. Nor can we expect that it will soon disappear among the people, when we find that economical heresies, such as those to which I have alluded, still form part of the faith of many of our own officers. Objections to taxation of this sort, based on opinions which have their sole origin in the ignorance of the people, cannot be answered, although this does not make them less real. Among all the difficulties and dangers with which we have to contend in India, those to which we are exposed by the ignorance of the people are incomparably the most serious. It is, unhappily, true that our most enlightened and useful measures are, as a general rule, precisely those which are the least popular. If any man supposes that we earn the present gratitude of the people of India by abolishing sati and infanticide, by female education, by constructing railways and canals, by making the towns and country healthy, or even by improving the laws, which add to

the security of life and property, that man is greatly mistaken ; but this is no reason why we are not to persevere with our work. So I say of these Bills. I do not pretend that the people who have to pay these taxes will like them ; but it is, in the opinion of the Government, necessary that they should be imposed, and we trust the Local Governments when they tell us that, while they can suggest no better form of taxation, they are satisfied that the measures now proposed will lead to no serious dissatisfaction which it might be politically unwise to face, and that such dissatisfaction as may arise will soon pass away, as it has passed away in similar cases before.

“ In concluding the remarks that I desire to make on the Bills now before the Council, I will only add that the Government of India is fortunately enabled to say that its policy is cordially approved by all the Local Governments which these Bills will affect, not only with regard to the proposals that specially affect the land, but to all the measures by which we hope to provide the necessary insurance against famine ; and further, that these Governments confidently look forward to the successful application of these measures in their respective Provinces. I do not doubt that these assurances will be as satisfactory to the public as they have been to the Government of India.

“ A desire has been expressed that I would explain more fully than has hitherto been done the manner in which the Government proposes to apply the proceeds of these new taxes. I shall, I feel certain, be very readily able to do this to the satisfaction of the Council, for nothing can be clearer than the principles on which the Government proposes to act.

“ I can hardly do better, in the first place, than ask the Council to look at the brief official Statement of Objects and Reasons, which was published with the new Taxation Bills when they were first introduced. That Statement explained, in a few words, the reasons for these measures. It was said that the necessity was imposed upon the Government of India of bringing the public revenues and expenditure into a state of proper equilibrium ; that famines could no longer be treated as exceptional calamities, and that the obligations entailed by them must be provided for among the ordinary charges of the State. The periodical occurrence of famine must, therefore, enter into the calculation of the Government in making provision for its ordinary yearly wants, and such a surplus of ordinary income over expenditure must be provided in each year of prosperity, as would make a sensible impression on the debt which it might be necessary to incur in times of famine. To enable the Government, it was said, to meet these obligations, additional taxation was necessary.

“The object, which I thus stated, is a perfectly simple one. These new taxes are required for the sole purpose of giving us, year by year, a sufficient surplus of income over expenditure to meet these famine charges, which had not hitherto been taken into consideration in our yearly account. It seems to have been supposed by some that the primary object of the Government of India was to give to the Local Governments the proceeds of these new taxes and to transfer to them, in some mysterious manner, certain indefinite obligations in relation to the future charge arising from famine. There could be no greater mistake, and I am sure that I have never said anything to justify it. These great calamities can only be met by aid of the resources of the Government of India, and it is these resources that must be strengthened to meet the obligations they impose. Although then, as I shall presently explain, we shall use the Local Governments as our agents in levying these taxes, their proceeds will mainly go into the Imperial Treasury. With their help, we hope to secure that surplus revenue, which will enable us in the future to discharge the heavy obligations which the periodical occurrence of famine entails upon the country, without being driven into the fatal course of constantly increasing the public debt, and the burden it involves.

“As I previously explained, we start with the hypothesis, that in every ten years the Government of India will have to spend £15,000,000, on the relief of famine. The case will be put into its simplest form, if we assume that the whole of the £15,000,000, will have to be spent at once at the end of this period, and the arguments I am about to use will not be in any way invalidated by this assumption, though it be not strictly true. Now, as the very foundation of our policy is the resolution not to permit this expenditure to create a constantly increasing charge for interest, the expedient of simply borrowing when the occasion occurs, and thus increasing the annual charges on account of debt, say, by £600,000, in each period of ten years, must, of course, be set aside; and it follows that we can only obtain the £15,000,000, which we require by saving up an equivalent sum in years of prosperity. If we provide for this purpose a *bona fide* surplus of £1,500,000, a year for ten years, we shall have obtained our £15,000,000

“As we cannot keep our annual savings locked up in a separate box, it is inevitable that when the actual necessity for spending the £15,000,000, arrives we shall have to borrow the money, so that what we have practically to do is this—we must reduce our debt by £1,500,000, year by year during the whole period, or by £15,000,000, in the ten years, thereby reducing the yearly charge for interest at the end of that time by £600,000. Then, when the necessity for spending the £15,000,000, arrives, we can borrow that amount and incur a

fresh charge for interest of £600,000, a year, and be no worse off we were ten years before. This process, by which in periods of prosperity the charge for interest on debt is gradually reduced, thus constantly restoring the exhausted power of borrowing without increased taxation, is what the Government virtually proposes to adopt.

“In India, however, the policy has been deliberately and wisely accepted of borrowing every year large sums of money for the construction of the railways and canals which it is absolutely necessary that the country should possess if its material advancement is not to be arrested. Even if the financial consequences of this policy had been less satisfactory than they have been, it might still have been our duty to persevere in it, though it should have called for increased sacrifices from the country in the form of taxation. But experience has shown beyond the shadow of a doubt that, looking at the matter even from a purely financial point of view, we could have done nothing wiser and more profitable than go on investing capital in these undertakings ; and that so long as these investments are prudently limited, as they have been up to the present time, so that the growing income derived from the works keeps pace with the charge for interest on the borrowed funds, they may be continued with complete financial safety.

“It was on considerations such as these that Lord Lawrence in 1869, in his Minute on Railway extension, assuming that the revenues could, without objection, bear a yearly charge of about thirteen millions, to meet the interest on Capital-outlay on productive works in course of construction, &c., during the period in which their income is becoming developed, based his proposals for the gradual, but systematic, prosecution of this class of works, and that the Government of India has been since acting with most satisfactory results. The forecasts relating to the extraordinary expenditure on Railways and Irrigation Works that have from time to time been prepared in the Public Works Department have supplied sufficient evidence of the prudence with which this part of our financial policy has been conducted, and it is only necessary to follow the same principles in the future to ensure equally sound results.

“The truth of these remarks can readily be established. In the first place the nett charge for the interest on the Guaranteed Railway Capital, which was upwards of eighteen millions sterling in 1870-71, was reduced by the growth of the income to less than £300,000, in 1876-77, while in the present financial year, partly no doubt from the increased famine-traffic, the interest will be more than covered. And though next year quite so good a result cannot be anticipated, it is certain that in these six years a nett improvement of more than 1½ millions has

been secured for the public revenues by reason of these works. During the same period the total expenditure on State Railways has reached a sum involving a gross charge for interest now amounting to £700,000, against which we already have a nett income of £300,000, yearly, leaving a nett charge of £400,000. The Irrigation Works carried out in the same years have led to an increase of interest-charge of £400,000, set-off by an increased nett income of £200,000, leaving a nett charge of £200,000. On the whole, setting-off the increased charge of £600,000, against the improved income of 1½ million, the general result is an improved financial position of £600,000, a year, notwithstanding the large investments made in the new works, a considerable part of which is necessarily not yet productive, though it is rapidly becoming so.

“The same general result is plainly indicated otherwise by the fact that the total charge for Interest on Debt of all sorts and Guaranteed Railway Capital is in the present year less than the charge in 1870-71 by about two millions, to which sum should be added the nett increase of income due to Public Works, amounting, say, to £500,000, to show the improvement in the general financial position, which, if not directly due to the prosecution of these works, has, at all events, been consistent with a continued average expenditure upon them of hardly less than four millions a year. It must also be remembered that these results have been secured during a period in which very exceptional seasons of scarcity have occurred, involving charges of some sixteen millions sterling.

“We assume, therefore, that the Government will continue to borrow money on these principles for such productive works.

“Now, it would be obviously absurd to pay off every year debt to the amount of £1,500,000, and simultaneously to incur fresh debt to the same extent. What, therefore, we have to do, in the actual circumstances of the case is, by applying to the construction of these works the proceeds of the new taxes, to reduce by £1,500,000, a year the sum which we might otherwise have borrowed. The ultimate financial result of this, as will readily be seen, will be practically the same as that which would have followed if we had devoted every year £1,500,000, to the actual repayment of debt. For returning to our former hypothesis, we shall, at the end of our ten years, thus have prevented borrowing to the extent of £15,000,000, and our annual charge for interest will then be less by £600,000, a year than it would otherwise have been. We could, therefore, if occasion required, borrow £15,000,000 for the relief of famine, and be in no worse a financial position than we were at the beginning of the period of ten years.

“The soundness of this argument depends of course on the assumption that the works which are constructed from our annual contribution of £1,500,000, from the public revenues will be really reproductive, that is, that they will at the end of the ten years produce an income at least equal to the interest which we should have to pay if we had then to replace by borrowing a sum equal to that furnished from the new taxes for their construction. This assumption, however, has no special or peculiar significance in connection with these new arrangements; it is (as I have just explained) the justification of our whole policy of borrowing money for works of public improvement. Whether we construct our railways and canals with borrowed capital, or pay for them out of this famine insurance fund, we equally assume that they will eventually give us a return of more than the ordinary charge for interest on the outlay; and to repeat what I have said before, experience has now been sufficiently prolonged to show conclusively that, notwithstanding all the mistakes that have been made, the gradual growth of the income of the productive public works has been sufficient to protect the Imperial Treasury against any increase to the actual charge for interest on debt. This explanation will show the Council how, either by the direct discharge of debt, or by the investment of money in productive works if the circumstances of the time should render that course most suitable, charges on the revenue may be extinguished, or new income created, which shall enable the Government to borrow in the future to the full extent to which the proceeds of the new taxes are applied, and that a true famine insurance fund will thus have been created.

“I have hitherto spoken as if the subject concerned the Imperial Government alone: and I have made no reference to the part in the arrangements which will devolve upon the Local Governments. Vitaly important as this part will, in my opinion, be, I might indeed almost pass it by on the present occasion, because it is not the subject now before this Council. We are really merely asking this Council to authorise the imposition of new taxes for the purpose of improving the financial position of the Government of India to such an extent that it will be able to undertake, with its ordinary revenues, by help of the arrangements that I have described, the duty of preserving the lives of the people in time of famine. At the same time the Government is most ready to give every explanation in its power to the Council on all parts of its policy, and I will as briefly as possible state the manner in which the action of the Local Government may be expected to conduce to the great end we have in view.

“I have, on former occasions, stated to the Council, with a persistency which I am afraid has sometimes wearied them, that the keystone of the whole finan-

cial policy of the present Government is the enforcement to the utmost of the responsibility of every great Province of the Empire for meeting its own local wants. We have given to the Local Governments largely increased powers; we declare that they alone are competent to deal wisely with the details of administration; that they have advantages which we cannot possess of seeing what their own Provinces require; and that it is only by acting on these principles that we can obtain either good provincial administration, or exercise that intelligent power of control on the part of the Imperial Government which we look upon as essential to the prosperity of the Empire. It is childish to suppose that the Government of India increases its strength by meddling with details about which it knows nothing.

“A great deal has been done, and a great deal remains to be done, in carrying these principles into effect; and the most serious duty now before us is their application to the great problem of preserving the country against famine. I do not now pretend to say how this application of these principles is in detail to be carried out. The whole subject of the measures to be taken for the prevention and relief of famine is so vast that it would be mere foolishness if I were now to attempt to enter upon it. It is, as the Council and the public are aware, about to be referred to a special commission of enquiry, and certainly no greater question had ever to be studied than that on which they will have to deliberate and advise.

“If, therefore, I now am asked to describe how this money, which the Government of India proposes to devote to the relief and prevention of famine, is to be spent, I can give no exact reply. I cannot tell the Council what railways and canals will be constructed; still less can I tell them what systems of relief will be acted upon when millions of starving people have to be fed, or what changes of administration will be necessary to enable the measures of prevention and relief to be carried out under the best possible conditions. All that I can say with certainty is this, that if the great works for increasing the productiveness, and for improving the communications, of the country are to be wisely chosen, and wisely and economically executed, and if the income which they yield is to receive its best development; if again, when famine actually occurs, sound principles of relief are to be applied with real efficiency and wisdom, it will be through the agency of the Local Governments and the local authorities that these results will be obtained; and not by the action of the Central Government. Among all the responsibilities which we desire to impose on the Local Governments, the greatest of all will be that of protecting the people of their own Provinces against famine. The working out in detail of the arrangements by which we hope that this object may eventually be accom-

plished will be a work of time. We do not disguise from ourselves the fact that many of the efforts which may be made before prolonged experience has been gained may, hereafter, be found to have been erroneous; but this is no reason why we should now hesitate to take the first steps, which seem to us at the present time to be required. We can do little more now than declare the principles which we intend to follow. I have already explained those principles. While we say that every Province must be primarily responsible for supplying the wants which arise within its own limits, we have not been able to devise any plan by which the actual expenditure for the relief of widespread famine could be charged directly to the Local Governments. When a famine occurs, local resources are necessarily for the time swamped and overwhelmed, and the whole resources of the Empire must be employed for the relief of the afflicted territory. On the other hand, to enable the Imperial Treasury to bear such great occasional burdens, all the Provinces must, year by year, contribute what I have called mutual assurance payments, which payments go to form the surplus to be stored up for use in time of need; not, of course, to be stored up idly in the treasury, for that would be a reckless, purposeless waste, but stored up in the shape of unemployed borrowing power, which would otherwise have been consumed: Thus, as I have said before, resources will be created upon which the central authority will draw whenever it is found necessary to discharge the obligations arising from what I have called the dead-weight of famine-expenditure.

“To maintain the principle of provincial responsibility, and to give to the Local Governments a substantial interest in the efficient and economical levying of the new taxes, these taxes will be imposed provincially, and we desire, so far as possible, to distribute the funds which will become available for the construction of railways and canals among the Local Governments with some regard to the amount of the local contributions. Although, as I have already explained, it is necessary that the special resources now created shall be at the complete command of the Government of India, we shall leave to the Local Governments, to be spent by them, a margin from the new taxes, just as we have left them a margin of the revenues from excise and stamps, which have lately been made provincial. The imposition, provincially, of the new taxes will bring home the sense of provincial obligation more fully than would have been the case if the taxes had been treated as imperial; and the propriety will be more readily acknowledged of leaving the Local Governments to construct and maintain and profit by the works to which these new taxes will contribute.

“There is an additional advantage which we hope will result from these new measures. To whatever extent we can supply funds from the produce of the

new taxes, we shall be less dependent than heretofore on borrowed money for the means of constructing our reproductive works; and we may hence reasonably hope to be able in future to provide funds for these purposes with more regularity and certainty than has hitherto been possible.

“ I see in another direction also promise of further relief to the Central Government, and of great benefit to the Provincial Governments, in respect to the debt to be hereafter incurred for works of local utility. Both in Bengal and in the North-Western Provinces steps, which have been attended with marked success, have already been taken for obtaining subscriptions to loans in the localities interested in works of this character. I hope that it may be found possible to develop and systematise such a means of providing the capital that may properly be borrowed for works of improvement; and that local contributions may be successfully sought under conditions which will interest the classes directly benefited by such works, not only in the provision of the funds required for their construction, but in the proper management of the works when they are completed, and in the development of the revenue which they produce.

“ The arrangements which we are now making will be in complete harmony with those which were initiated in March last. The Imperial Treasury will be protected, if not wholly, at least to a very great extent, from past and future charges on account of interest on the capital invested in railways and canals. The provincial revenues will have to supply to the Imperial Treasury, or to hold at its disposal year by year, a sum equal to the interest on the capital expended on all the reproductive works, constructed either with borrowed money or funds supplied from the new taxes; and assuming that the works are judiciously designed, executed and managed, this sum will be provided by the income which they produce. The surplus income yielded by the works will go to increase the provincial revenues. These arrangements will give the best possible security for the judicious selection of the works, their economical construction and management, and for proper attention being paid to the development of the income they should produce. Their failure will entail burdens which the provincial revenues will be required to meet; their success will add to those revenues and to the resources at the command of the Local Governments in the most advantageous manner possible of the country, without more taxation and through the instrumentality of works which constantly add to the wealth of the community at large.

“ I think, My Lord, that I have now made it sufficiently clear how we propose to apply the £1,500,000 which we hope to provide as an insurance against

famine. We shall apply it virtually to the reduction of debt; and when the calamity of famine actually arrives, we hope, not only to be able to meet it without throwing fresh burdens upon the country, but to find that our means of giving efficient relief have been immensely increased by the useful works which we have carried out in the preceding years of prosperity.

The Hon'ble MR. THORNTON said: "My Lord,—Having been employed for some twenty years in the Punjab, and had opportunities, in the course of my service, of becoming more or less acquainted with every district of that Province, I desire to trouble the Council with a few remarks upon the Bills now under consideration, chiefly by way of supplement to the statements contained in the speech of the Hon'ble Mover.

"With regard to the License Bill, I have little to say, except that there has been, on the part of the district officers of the Punjab, a chorus of consent that, if additional taxation is necessary to provide insurance against famine, no classes can be more justly called on to contribute than the trader and the artisan, for none have benefited more from British Rule, and none have paid so little for the advantages they enjoy. The form of the tax has been generally approved, and if, as we are assured by the Hon'ble Mover will be the case though it does not so appear on the face of the Bill, the tax is not to affect persons with incomes of less than Rs. 100 per annum, it certainly cannot be regarded as a tax upon the very poor.

"But it is to the Bill for the levy of additional rates on land in the Punjab that the greatest objection has been raised. It has been urged on the one hand that the land cannot bear the additional burden it is sought to throw upon it; and on the other, that it will be regarded as a mere addition to the land-revenue-demand and in breach of the engagements made at settlement. Now, in regard to the first point, personal observation enables me confidently to endorse the opinion of the Hon'ble Mover, that the land-owners of the Punjab can well afford the proposed insignificant addition to the local rates; for in common with most observers, I am satisfied that, owing partly to the moderation of the land-revenue-assessments, partly to the security of title derived from the record-of-rights, partly to the room for extended cultivation, partly to improved communications and other results of British administration, the agriculturist of the Punjab is, as a rule, eminently prosperous and thriving. But individual opinions upon a point like this are less valuable and less convincing than a few plain facts, and I trust, therefore, it will not be deemed out of place if I take up the time of the Council in citing a few facts in support of my assertion.

“ I will begin, then, by endeavouring to give some proof of my assertion regarding the moderation of the land-revenue assessment in the Punjab. For this purpose I cannot do better than call the attention of the Council to page 9 of the General Summary prefixed to the Punjab Administration Report for 1875-76, where will be found a concise history of the land-revenue assessments of the Province from before its annexation to the present time. The substance of the information there given is as follows :

“ Under the Sikh Government the principle of land-revenue-administration was a very simple one. The State, as proprietor-in-chief, took from the land all that it could get ; in other words, it absorbed and appropriated the entire rental. It handed over whole tracts of country to the mercy of farmers of the revenue, and the farmer of the revenue often took as much as one-half the gross produce of the land, besides a multitude of cesses under the names of *rasum*, *nazrana*, and the like, and exorbitant *fincs* on succession. After the first Sikh war the Punjab came not under the dominion, but under the paramount influence, of the British Government, and one of the first points to which the attention of the British advisers of the Sikh Darbar was turned was the oppressive character of the land-revenue administration. Accordingly, the State-demand was reduced and settlements made of the land-revenue, for terms of years, on the basis of the State taking, not *half*, as previously, but *one-third*, of the gross produce. This arrangement was at the time hailed with delight by the agricultural population as a very liberal concession. Then came the second Sikh war, followed by the annexation of the Punjab ; and very shortly after annexation, measures were taken to introduce what are termed regular settlements into the Punjab ; these are, as most of the Council are aware, settlements of land-revenue for terms of years, made after careful survey and enquiry into assets. Well, when these regular settlements were first introduced in the Punjab, the system then in force in the North-Western Provinces was adopted, under which the State's land-revenue-demand was limited to two-thirds of the nett assets or landlord's rental amounting to about one-fourth of the average gross produce ; that is to say, the British Government commenced its revenue-system by claiming as its share of the rental just half the amount that had been taken by the Sikhs. Since that time a further concession has been made, and the State's demand has been further limited to *half* the nett assets or rental, and all more recent settlements have been and are being made upon this principle. And it must further be observed that, though the assessments are levied upon the principle of the State, as chief proprietor, taking half the rental, in practice the amount taken is considerably less than half the rental. Measured in kind the State's demand may be said never to exceed one

sixth of the gross produce; it is frequently not more than one-eighth, one-tenth or one-twelfth; and in some tracts where the rainfall is scanty, it is not more than one-fifteenth of the average gross produce, the value of which is calculated at its average price for a period of from twenty to thirty years. Let us now see what effect this liberal policy, working in combination with the other causes I have adverted to previously, has had upon the position and prospects of the agriculturists in the Punjab. One result is that there is a striking difference in the amount of land-revenue-demand in British territory on the one hand, and in the territory of adjoining Native States on the other, a circumstance greatly conducive to a feeling of contentment in the British subject. Another result is that the land-revenue, even after new assessments involving considerable increment of demand, is collected with the greatest ease; another effect may be seen in the improved clothing and manner of life of the agricultural population; but perhaps the increasing wealth of the peasantry will be better gauged by the following facts taken from the returns appended to the Administration Reports. In the year 1868-69, the first year for which the statistics of area and cultivation prescribed by the Government of India were prepared, the cultivated area of the Punjab Province (exclusive of course of Native States) was in round numbers 20,100,000 acres, and the land-revenue-demand 217 lakhs of rupees. This demand fell at an average rate per cultivated acre of one rupee, one anna and three pie, a rate of incidence which experts will admit to be very moderate in comparison with the rate of incidence in other parts of British India, and still more so in comparison with rates prevailing in adjacent Native States.

“In 1872-73 (five years later) the cultivated area had increased from 20,100,000 acres, to 22,600,000 acres, and the revenue-demand, though it had been intermediately increased in the ordinary course of settlement, fell at the average rate of only fifteen annas and seven pie per cultivated acre. In other works, extension of cultivation had reduced the revenue-demand per acre by ten per cent. I regret my inability to produce statistics of more recent date, but the reason is that, with a view to save labour and inconvenience to the people, the statistics from which I have quoted are prepared, not annually, but quinquennially. But I have little doubt that the next quinquennial return will show a similar if not a greater extension of cultivation, and I am informed that the Spring crop, now in the ground in the Punjab, is by far the most extensive ever known.

“Concurrently with this expansion of cultivation and the steady reduction in the originally moderate rate of incidence of land-revenue, there has been a most remarkable increase in the selling price of land. At the time of annexation, such was the crushing character of Sikh taxation, that ordinary agricultural

land had scarcely any market-value at all. In the year 1859, when I had the honour to hold the post of Secretary to the Financial Commissioner of the Punjab, the average selling price of revenue-paying land was, I recollect, a little less than four years' purchase of the assessment; in 1868-69, ten years later, the average selling price of land was *eighteen* years' purchase of the assessment; in 1873-74, or five years later, it was *twenty-eight* years, and by the last return, that for 1875-76, it was *thirty* years' purchase of the assessment.

“Now, as the agricultural interest of the Punjab is not made up of a limited number of large landed proprietors and a mass of tenantry, but is composed chiefly of a multitude of small land-owners, this enormous rise in the value of land does not mean, as it would mean in the case of England or Bengal, that a few individuals have become millionaires, but that the mass of the agricultural population are, so far as the value of their land is concerned, more than six times as well off as they were twenty years ago.

“With these facts before us, it is impossible to believe that the slight increase now proposed to the local rates will cause any serious inconvenience; for what does the Government ask? Why, it asks a body of land-owners, whose property has more than sextupled in value, to pay a famine-insurance-rate for that property amounting on an average to one farthing per acre per annum!

“But though the general condition of the Punjab peasantry is such as I have described, I would guard myself against being supposed to assert that such condition is universal. Here and there it may be that, owing to special causes, the state of the agriculturist is not so prosperous; for instance, on the banks of those great irrigation-works the Western Jumna and Bari Doab Canals, there are cultivators whose physique and energies have been destroyed, and whose lands have been defertilized, by that fashionable panacea—high level irrigation. In their case, and in the case of other exceptionally circumstanced tracts, some relaxation of the demand may be required; but for such cases ample provision is made in the proposed enactment, for in clause (d) of section 15 it is declared that the ‘Lieutenant-Governor of the Punjab may by notification from time to time * * * exempt wholly or in part any portion of the territories under his government from the operation of this Act, or exempt any land from liability to pay the whole or any part of any rate under this Act, and cancel such exemption;’ and it is matter for satisfaction that the working of this provision, as well as of the other provisions, of the enactment, will be in the hands of one who is perhaps better acquainted with the character, feelings and resources of the people of the Punjab than any other living Englishman.

“ But while there can be no doubt that the land-owners of the Panjab can generally well afford to pay the slightly enhanced local rate it is proposed to levy, it is equally certain that the enhancement will be regarded, like the original rates imposed in 1871, as an addition to the land-revenue demand, and practically, if not literally, an infringement of the engagement made at settlement; and, do what you will, the Punjab land-owner will continue of that opinion. Explain to him with all the lucidity a trained intellect can command that the land-revenue is the share of the rental taken by the Government, as proprietor-in-chief and that the local rate is a tax on rent taken by the Government as Government, and he will reply—in the present instance it is to be hoped with a smile—that this appears to him to be a ‘distinction without a difference.’ This being the case, it has been suggested in the correspondence which is before the Council and in the public Press, that it would be better, in the event of its being necessary to tax the agricultural population, to dissociate such taxation from the land, and levy it in some other shape, such as a house-rate or an income-tax. Theoretically, there is much to be said in favour of the proposal, but looking at it from a practical point of view, I cannot agree in the suggestion, for the practical inconveniences would, I feel sure, outweigh the theoretical propriety of the arrangement. Assuming, as we must assume, that the Government is not precluded by the land-revenue-engagements from levying an additional rate upon the land, and assuming, as we must assume, the necessity for taxing the agriculturist, I can conceive no other form of taxation less open to objection by the tax-payer than the one which has been adopted, namely, a percentage on land-revenue. Any other of the alternative forms of taxation which have been suggested has the great disadvantage of involving, *inter alia*, special enquiry and assessment and a special agency for collection; the form of taxation proposed in the Bill has the great advantage of involving nothing of the kind.

“ We have now got thus far in the consideration of the Bill; we have attempted to show that the additional tax upon the land is insignificant in amount, that the Punjab land-owner can afford to pay it, and that the form of taxation proposed is, upon the whole, the best that can be devised in his interests. The fact unfortunately remains, that the tax will cause a certain amount of dissatisfaction and distrust in the minds of the tax-payers. Not indeed that there will be any active discontent, for the land-owner in the Panjab is far too loyal, far too well disposed, far too well off to think of disobedience; but there will undoubtedly be a feeling of dissatisfaction which it seems desirable, if possible, to mitigate, even if it may not be possible to remove it altogether. What, then, can be done to mitigate this dissatisfaction? Well, as to this I think,

perhaps, we may learn a lesson from the past. In the year 1871, when the local rate was originally imposed, there was considerable dissatisfaction among the land-owners; but this has, we are told, completely died away. And why has it died away? Because it was arranged that the local rates should be made over to district committees on which the land-owners were to be largely represented and spent before the eyes of the people in the districts for which it was raised: hence in the year following the imposition of the rates, the Lieutenant-Governor of the Panjab was able to report as follows:—

“ ‘Any dissatisfaction which may have existed at the time the cess was first levied has now died away, as the people see that the funds are expended for their benefit.’ ”

“ Now, I am perfectly aware that this course cannot be exactly followed in the present case. The funds cannot be made over to committees and spent in the districts from which they may be levied; but may not something be done to show the tax-payers and the public generally, clearly and unmistakably, that ‘famine-insurance’ is not a mere pretext for raising money for general purposes, but that the tax is *bonâ fide* expended on the object for which it is raised? My friend, the Hon’ble Maharaja Jotindra Mohan Tagore, has dealt with this subject in a letter addressed by him to the Bengal Government in his capacity of Honorary Secretary to the British Indian Association, a copy of which has been laid before the Council, and his suggestions seem worthy of consideration.”

The Hon’ble MR. COLVIN said:—“ My Lord, I wish to make a few remarks upon the subject of the Land Rates Bill.

“ Some doubts have been expressed, both in this Council and outside it, as to the propriety of adding any further to the contribution which is already made by the land towards the necessities of the State.

“ I think that some of these doubts and objections may arise out of mistaken impressions relating to the history and nature, and the pressure, of our land-revenue upon the people, and that these may be dispelled by a further and fuller knowledge of the facts. The subject of the land-revenue in India is tedious and uninteresting, intricate in some of its details, and, above all, it is strange and unfamiliar. The ideas out of which it has grown, and which it has not yet ceased to represent, are so different from anything which we are accustomed to see in England, that it is not easy to get rid of the distorting medium which our English experience constantly interposes between ourselves and the true facts.

“ Erroneous impressions about it, therefore, are not uncommon, and it may not be out of place if I recall what the actual position of the land-owning

class is in those Provinces to which the Bills now before the Council are intended to apply. I propose to do this as generally and briefly as it is possible for me to do. I must ask for the forbearance and patience of the Council if, in what I propose doing, I unavoidably go over ground which to many Hon'ble members is only too familiar. But it would be difficult to make the arguments which justify additional taxation of the land easily intelligible to everybody, without first giving some sort of statement of the facts upon which they rest.

"The Land-Revenue in Upper India, as everybody knows, is only a portion of what would be called in Europe the landlord's rent. The State, or the Sovereign, is the paramount landlord in India, and the share of the rent taken by him in old times, however it may have been restricted in theory, was in practice limited by nothing but the power of the subjects to offer, in some shape or other, an effectual resistance to his demands. It is not an incorrect description, I believe, to say that this was the state of affairs to which the British Government succeeded in all of the Provinces to which the Bills before the Council relate when they passed into its hands. I mean, that the division of rents between the Ruling Power and the land-owning class was subject to no limitation except that of

'The good old rule, the simple plan ;
That those should take who have the power,
And those should keep who can.'

"The precise amount of the share which was left by the proprietor in the early days of our rule cannot now be ascertained. It was supposed to be a certain portion of the total produce ; but as nobody could say, either now or then, what the total produce is, this leaves room for indefinite speculation. It is pretty certain though, that in the earliest acquired Provinces, the North-Western Provinces, it was something less than one-fifth of the rents paid by the cultivators. For in 1822, when the first regular settlement was contemplated, and steps were taken towards adjusting the respective share of the landlord and the State for a longer term of years than heretofore, it was declared that at least twenty per cent of the entire rental of each estate should be left to its owners. In less than twenty years after 1822, fresh settlements, which lasted for a term of thirty years, were made, and by these the landlord's share of the rental was increased from one-fifth to one-third of the rental receipts. But the liberality shewn and concessions made by the State did not stop here. When the settlement for thirty years, which has just been referred to, expired, fresh arrangements were entered into, by which no less than half of the rental was given up to the land-owning class, and an equal division was made between them and the State of the profits derived from its ownership. This is still the proportion in which the rents are divided

between the two ; one-half goes to the proprietor of the estate, and one-half into the public purse. This is an immense advance for what has become the landlord-class, from the poor and insignificant position which they occupied when they first came under the control of the British Government. Looking to the proportionate amount only of the rental which they now enjoy, and comparing it with their former share, we see that they are more than twice as rich as they were. But even this conveys no adequate idea of the great improvement which has taken place in their circumstances. It is not only that they have obtained a larger share of the produce, but that the value of that produce has enormously increased. Contrasting the present prices of agricultural produce with those of (say) sixty or seventy years ago, I doubt if I exaggerate when I say that its money-value has doubled, and it would perhaps be safe to say that the land-owning class as a body, instead of twice, are four or five times as rich as they were at the beginning of the century. An illustration of the progress made in the Punjab has been given by the Hon'ble Member who spoke last, and the fact which he has mentioned, that land which used thirty years ago to sell for three or four times its annual value will now fetch twenty times the amount of its revenue and more, is true of many other parts of the provinces for which the Bills have been framed. Everywhere there has been an extraordinary rise in the value of land. The cost of living, on the other hand, has no doubt increased. So far as this is caused by a rise in prices of the commodities that the agricultural classes have to buy, it is of course a drawback to their prosperity ; but in so far as it is due to greater comfort and a higher standard of living (and I believe this to be a more potent cause than the other) no abatement is necessary. Making all necessary drawbacks, the fact of their great advance in wealth and prosperity is too plainly evident to be called in question. It must be borne in mind, too, that whatever the industry and intelligence of the proprietary class may have been, this improvement in their position is, in very great measure, due to the direct action of our Government. It is scarcely too much to say that it has created proprietary rights in the soil. It has secured them by maintaining good order and tranquillity. And it has added indefinitely to their value by furnishing marvellously improved and accelerated means of communication, and by opening markets for the produce of the land, of which the people of two generations back never even dreamed.

“This is the history of the way in which the landed interests of the North-Western Provinces have been dealt with. It can scarcely be said that the conduct of the Government towards them has shown any inclination to oppression and rapacity. The history of the other three Provinces in which it is now proposed to add slightly to the taxation of the landlord-classes, differs in no

important respect from that of the North-Western Provinces. They passed into our possession later, when our policy had become more liberal; therefore they never received so small a share as the proprietors of the North-Western Provinces were restricted to in the early days of our rule. In none of them, speaking generally, has the Native proprietor's share been less than one-third of the entire rental since they became British territory. And now, I believe that it nowhere is a smaller proportion than one-half, indeed in many parts the proprietors are actually in the enjoyment of more than a half.

“So far I have spoken of what is generally meant by the words Land-Revenue when it is used in this country, that is, the Government-share of the rental in each estate.

“I come now to those Rates which are levied from land, in addition to the Land-Revenue. These Rates are taxation in a direct shape.

“They are not claimed as part of the great customary rent-charge which the State receives from the land and which constitutes its Land-Revenue. They are levied from time to time, as direct taxation, apart from that rent-charge, and are paid by the landlord out of that share of the rental which furnishes his own income. I will not stop now to consider the justice of this form of taxation, though it appears to me as right and just as taxation in any shape can be. I wish at present only to consider the nature and amount of these rates.

“They vary in the different Provinces to which the Bills before the Council are applicable. They are highest in the North-Western Provinces, where they amount to five per cent. on the rental. They are lowest in the Central Provinces, where they do not exceed two and a quarter per cent. In Oudh they are two and a half; and in the Punjab $3\frac{1}{2}$ per cent. upon rental. A portion of these rates is old, and a portion of recent imposition.

“The five per cent. which is taken in the North-Western Provinces is no new taxation. It has been levied for a great many years past. I mention this because I have seen exception taken to the levy of the additional rate of one per cent. for famine-purposes, which is now proposed, on the ground that only so lately as 1871, the people of the North-Western Provinces were subjected to new and extraordinary taxation which swallowed up five per cent. of the entire rents of their estates. It is as well that a misapprehension of this sort should be corrected. The truth is that the Local Rates Act, 1871 (except as far as it related to that small portion of the North-Western Provinces which is permanently settled), did not impose any new taxation at all. It merely legalized rates which had been actually collected for a long time prior to 1871. It should be clearly understood that the one per cent.

now under consideration will, if passed, be the only new tax (excepting the Income Tax) which has been imposed upon the land-owning community of the North-Western Provinces as a body for the last twenty years or more.

“ In Oudh, of the $2\frac{1}{2}$ per cent. which the native proprietors pay, $1\frac{1}{4}$ was newly imposed in 1871, and $1\frac{1}{4}$ was of older standing.

“ In the Central Provinces the $2\frac{1}{4}$ of the rental which is paid, dates entirely, I believe, from the last settlements, that is, from ten or twelve years ago.

“ In the Panjab the existing rates were first imposed in 1871. These rates are high, but we have heard from the Hon'ble Member who spoke last how very far they are from being a heavy burden upon the resources of the people, and how little dissatisfaction they created, though they were much heavier than the rate which is now proposed.

“ The present relation between the State and the land, then, in the Provinces of which I am now speaking, may be summed up broadly thus :—That the State in its capacity of landlord enjoys one-half of the rents paid by the land, and that it also directly taxes the native proprietors of the soil by rates applied to local purposes which range between two and a half and five per cent. of the entire rents that pass through their hands.

“ The measures now before the Council, if passed will raise the amount of this latter payment by one per cent. all round ; and some doubts have been expressed, as I said at the commencement, of the propriety of such taxation.

“ These objections, so far as I have seen or heard or understood them, have been directed partly against the justice of the proposal, and partly against its expediency.

“ As regards the injustice of such taxation, it is said, in the first place, that the agricultural classes are already contributing more than their fair share to the general revenues of the country.

“ Well, it is true that the land-revenue does supply rather more than two-fifths of the total public income of India. Judged by our European standard, this may naturally seem an excessive amount. But if we wish to judge rightly, the first thing that we have to do is to put European standards out of our head, and to consider facts, not as they exist in other countries, but as we

find them in this. If the landlords of England were compelled to-morrow to resign one-half of their rental to supply the public necessities, no doubt it would be felt as nothing short of confiscation. In India, as we have seen, taking one-half of the profits of land, is making a large and liberal concession to its owners. We must not lose sight of the fact that it is not the income which a man has never had, and which he has never dreamed of having, that he feels it an oppression to be deprived of. It is the money deducted from his ordinary and accustomed means of living that he misses, and the taking of which comes home to him as taxation. Looking at the question from this, which seems to me the true, point of view, and remembering that what they pay as Land-Revenue has never formed part of their income, I do not think that it can fairly be said that the proprietors of the land are unduly burdened. Their accustomed means of living, so far from being less, are much greater, than they were in former times. If we take the case of the North-Western Provinces, where the rates are considerably higher than anywhere else, and add the amount of them to what is paid to the State in its capacity of landlord, we find that out of every Rs. 100 of rental not more than Rs. 55 go into the treasury, namely, Rs. 50 as Land-Revenue and Rs. 5 as taxation. If we add the Re. 1, which it is now proposed to take, it will be Rs. 56. Half a century ago, Rs. 80 would have been required; and up to twenty years back Rs. 66 would have been demanded by the State. The land-owner therefore are receiving much more, and contributing much less, than they have ever done in time past. I have taken the case of the North-Western Provinces as that in which the claims of the State are largest. The argument of course, is still stronger in the other Provinces, where the payment made by the proprietors is smaller. In the face of these facts it seems to me impossible to make good any case for further indulgence towards agriculturists as a class. Assuming that they are in a position to contribute without hardship towards the funds which are required for the general protection of all classes from famine, I would ask, how they can be exempted from doing so without inflicting very great injustice on all other classes? The population of the Provinces to which the Bills now under consideration are intended to apply, is mainly agricultural. The proportion which the agriculturists bear to the entire population in them ranges between 56 and 64 per cent.—roughly speaking, it is about 60 per cent. We can judge from these numbers what the effect would be of exempting the agricultural class entirely. It would compel two-fifths of the people to pay for the support of the entire community in all future times of scarcity and famine. It seems to me sufficient to state a consequence of this sort, in order to show how impossible it would be for the Government, with any regard to justice, to exempt the agriculturists from taxation.

“ I go on now to consider those objections which, without impugning the justice of taxing the profits of agriculturists, throw doubts upon the expediency of doing so. A principal objection of this sort is that the prosperity of the country mainly depends upon its agriculturists, that the great majority of these are very poor, and that to impoverish them further by taxation is,—if not to kill, yet to injure very seriously—the goose upon which we depend for our golden egg. Now the fallacy of this argument, as it seems to me, is that it confuses the cultivators of the soil with its proprietors. The cultivators do, no doubt, form the mass of the agricultural community, and I fear that many of them are very poor. But I agree with the Hon'ble Member in charge of the Financial Department in demurring to the next step in the argument, which is, that imposing one per cent. upon the landlords will make the cultivators poorer. I do not believe (generally speaking) that such a tax will affect them at all. The class which is taxed is that of landed proprietors—of men who live, not by cultivating the soil, but by enjoying the rent which is paid for its occupation by the actual cultivator. A powerful landlord, I am quite prepared to admit, can do a good deal that is irregular in this country, as in others, without being checked. But I think that this is very far from being true of all proprietors of land in the Upper Provinces of India, where large properties are the exception and not the rule; and I do not believe that illegal methods of transferring the incidence of this tax are likely to be generally successful there. Nor am I convinced that the legal powers which landlords have of enhancing their rents will help them to shift this tax on to their tenants. This will be evident if we consider the practical working of any attempt to do so. Suppose that a proprietor owns an estate with a clear annual rent of Rs. 100. He is enjoying Rs. 45 of these under the existing settlement, and paying Rs. 55 to the Government—Rs. 50 for land-Revenue and Rs. 5 for rates. When the extra Re. 1 of taxation is imposed he will be receiving only Rs. 44 and paying Rs. 56. Suppose, again, that this proprietor is entitled, under present rules, to enhance his rents, so that they will yield him Rs. 105 instead of Rs. 100, and that he does so, still, by raising his rental, he has not recovered his extra Re. 1 of taxation. This right of raising his rents does not depend upon the taxation which has been laid upon him, but upon grounds altogether irrespective of that. He could have improved his rental therefore up to Rs. 105 in any case, and will still be poorer by the additional Re. 1 that he has to pay into the Treasury.

“ I do not mean to say that calculations of this sort can pretend to anything like mathematical accuracy or to be of universal application; but, making every allowance for the working of unforeseen causes, I think that the most reasonable expectation regarding the incidence of the proposed tax is, that it will *not* fall upon the poor and laborious tenant-class

“A further argument which has been used against the proposed tax is that it is a breach of faith, and, as such, likely to lead to serious political dangers.

“So far as the tax can be said to have met with any opposition at all, I believe that the misgivings which have been felt have originated in feelings, more or less well defined, of this nature. And if such a feeling were deep-seated and universal, even though it might not be well founded, it would furnish a very strong ground of objection. It is worth while, therefore, to see what amount of real force is contained in it.

“In doing this, I do not purpose to waste the time of the Council by any arguments directed to show that no breach of faith is actually committed by the imposition of a rate upon land, distinct from, and in addition to, the fixed demand upon it on account of Land-Revenue. That controversy was fought out and settled some years ago, and the results of it have been sufficiently referred to by the Hon'ble Member in charge of the Financial Department in his speech to-day. Those who have still any doubts upon the conclusion which was then finally adopted—that the limitation of the Land-Revenue does not confer an absolute immunity from direct taxation in every shape upon the classes who pay it—can look back to the records of the discussions then held and they will, I think, find their doubts satisfied.

“I only wish now to say a few words upon the political importance which may rightly be given to any impression, right or wrong, on the minds of the people of this country, if there be such an impression, that they are being oppressed or unfairly dealt with.

“In the first place, I question whether the levy of an additional one per cent. will give rise to any strong feeling at all.

“In judging of its probable effect upon the people, I think we may dismiss from our minds all distinctions of Land-Revenue and land rating, of the State's share as landlord, and its requirements as tax-collector. It is not that I believe that these distinctions do not really exist. On the contrary, I have no doubt that they do, and that they are highly important. But I should not say from my experience that the people take much account of them. It has so happened that, from motives of convenience and economy, the manner in which the land-tax has been levied, and the machinery for levying it, have been the same as those by which the Land-Revenue has been collected. It is not by any means necessary that this should always be the case, and I hope that the advantages to be gained by changing the present mode of taxing the land, for one that distinguishes it more clearly from the Land-Revenue, will,

in time, outweigh what I admit to be at present the much greater counterbalancing advantages of the existing system. When that time comes, a distinction between Land-Revenue and rates may perhaps arise in the minds of the landed proprietors who pay them. But at present I doubt if they draw any practical distinction between the two. They pay so much into the Treasury. The Government may credit the money as it pleases; but to their minds it is one payment, and the whole of it made out of their own pockets, because the actual cash has passed through their hands and they hold a receipt for it. It does not occur to them that the greater part of it, namely, that which represents their Land-Revenue, has been paid over to the Ruling Power in the same way by their forefathers from time immemorial, and that it will continue to be so paid through any length of future time that we can look forward to, by themselves and their descendants, and that therefore this money has never belonged to them in any proper sense of the word. But though this payment, regarded from their point of view, may be a large one, it does not seem so to them. They have always been accustomed to make it, and do not grumble at it. Nor do they trouble themselves with any nice considerations of the precise percentages in which the profits of the land should be divided between themselves and the State. All that they are concerned about is, that their means of subsistence should never be seriously curtailed. I hope that it has been sufficiently shown to the Council to-day, that there is no danger of any such considerable curtailment from the addition of another Re. 1 per cent. to their payments, and, as long as this is the case, though they may not like the extra payment—as who does like making payments—there will be no dissatisfaction, I believe, such as a Government need take any account of.

“So far as to the likelihood of any strong feeling being aroused by the measures before the Council. Next as to the ‘breach-of-faith’ objection, I cannot help thinking, when this argument is used by the tax-payers, that it is employed more for the effect that they hope it may produce upon those whom they are addressing, than because the argument carries any very great force to the speaker’s own mind. The levy of cesses or rates in addition to Land-Revenue has been familiar to the people for generations, and in some of the provinces affected they have been paying much heavier rates than are now demanded for many years past without a murmur. If they had really felt this to be a breach of faith, I think we should have heard more of this objection before now.

“Again, any objection which is taken on this ground to the proposed tax is just as applicable to an Income-tax, which has been levied from the agricul-

tural classes at different times during the past sixteen years. The cases are precisely similar. I know of no argument which applies to the one, that does not equally apply to the other. Yet, though I cannot say that the Income-tax was anything but an extremely unpopular tax in the part of the country where my experience has been, yet I do not remember that there was any strong or general feeling against it on this ground in Upper India. The agriculturists did not expect to escape from having to help in bearing the common burden, and submitted without serious discontent to their share of it during the continuance of the Income-tax. I do not know why we should suppose that they will be more suspicious and less reasonable now.

“ I have referred now, as far as I am able, to the principal arguments which I have seen urged against further taxation on the land; but in conclusion, I would remark that they do not appear to have found anything like general expression. It is true that expressions of opinion in matters of this sort are apt rather to follow, than to precede, measures in this country. It is one of the recognized difficulties of the Indian Government that there are such imperfect means of ascertaining the sentiments, and feeling the pulse, of its subjects. In the provinces which will be affected, there is no Press which faithfully reproduces public opinion. That opinion must be sought for and found as best may be. The surest means that exist at present of learning the course of public sentiment is through the local officers of Government who are distributed over the country, who are in constant communication with people of all classes, and who will not hesitate to express frankly and fearlessly what they believe to be the general feeling of the country. Now, it is from these local officers that the Local Governments and Administrations derive their information, and by them that they are in great measure guided in their action. It is a significant fact, then, that of the Local Governments and Administrations concerned, with whom the responsibility will rest of collecting the tax, there is not one that has expressed any doubt or hesitation about the taxation of the land. They have on the contrary signified their cordial approval of it. This, I think, is the best assurance that it is possible for us to have, that the measure is not radically distasteful to the people affected, and the best assurance that there will be no great difficulties in enforcing it.

“ But even if these difficulties were likely to be far greater than I anticipate, I do not the less think that it is not only proper, but absolutely necessary, to carry the proposed measures into execution. The taxation of the land must not be judged of by itself; it must be regarded in connection with the whole scheme of which it forms a part. That scheme is intended to provide for the

famine-expenditure of the whole country,—an expenditure which is no old and recognized want of the administration, but one, the necessity for which has only come to light within the last few years. It is a charge which the old ways and means of the Empire are quite inadequate to meet; and the money which is to be raised will be applied for the benefit of all. In providing the money for a new and general necessity of this kind, it would be so grossly unjust to exempt upwards of one-half of the population from stirring so much as their little finger towards lifting the common burden, that the difficulties and perils of any such course would, I am convinced, be far greater than any which can result from the measures which the Council are to-day asked to pass.

His Honour THE LIEUTENANT-GOVERNOR said :—“ My Lord, though the measures now under the consideration of the Council do not immediately affect the Provinces under my charge, they are the outcome of a policy which applies to the whole country, and I hope that I may be permitted to say that I think that the explanation which has been given by the Hon'ble Member will be considered to be perfectly satisfactory. There is one fact on which my hon'ble friend has laid considerable stress, which cannot be questioned, and that is, that the policy in respect to famine-relief and famine-prevention, which has been accepted by the Government of India, I believe with the full concurrence of all parties both in this country and in Europe, cannot be carried out without an increase of means, and these means can only be obtained by an increase of taxation. This being admitted, I must say that it seems to me, and I find that it is the opinion of most well-informed and thinking men, that no measures could have been devised more likely to be efficient, equitable and unoppressive, than the measures which have been determined upon by Your Excellency's Government.

“ There is no question that the proper principle to follow in respect to the raising of revenue for such purposes as that which has led to the present schemes of taxation is, that all having a permanent interest in the welfare of the country should bear their share of its burdens. The measures now before the Council adjust the incidence of taxation upon all interests, whether trading or landed interests. And though it has been alleged that the taxation has been thrown altogether on the poor, the license-tax does not touch any of the quite poorest classes, because those who have incomes of less than Rs. 100 a year are exempt, and though it may be difficult for men who know nothing of the country to realise, practically a Native with an income of Rs. 100 a year is in a better position than a European trader or mechanic in Europe with an income of £100 a year; I am sure that every one really acquainted with

Native habits and modes of life and requirements will agree with me that this is so.

“ I see that some objections have been raised to the levy of cesses on the landed interests of the North-Western Provinces on the ground that the cesses now levied do not extend to Bengal. Those who argue in this way seem entirely to forget that Bengal set the example of contributing such a cess to the Imperial Revenues, and last year relieved the Government of India of nearly £300,000, by imposing on the land, charges hitherto borne by the Imperial Government. It would have been most unreasonable and unfair that this taxation should have been maintained in Bengal while the landed interests of the rest of India were left free. Last year the only taxation imposed on the North-Western Provinces was a low license-tax, while Bengal raised enough to meet the demands of the Imperial Government by a cess on land: this year the Government of Northern India have supplemented their trades license-tax by a cess upon land, while Bengal has supplemented its cess upon land by a license-tax.

“ It is nothing to the point to urge that the results leave the Bengal zamindar in a better position than the North-Western Provinces zamindar; that really has nothing to do with the question. The object of the present measures is, not to equalise the incidence of the assessments and charges upon land throughout India, but to levy an additional rate for a special purpose from one end of India to the other. Out of the money (£1,500,000) now required by the Government of India for the construction of works to prevent famine, Bengal will contribute £600,000, or nearly one-half; and the outcry that she has been unduly favoured is most unjust and unfounded. It must be remembered that, till the last settlement, the zamindars of the North-Western Provinces had to pay to Government two-thirds of their collections, while they retained one-third. For no very apparent reason, when the new settlement was made, they were only called upon to pay half, keeping one-half. Admitting as I do that it is sound policy of the Government of India to limit its demands on the country to its actual requirements, and to distribute the burden of taxation as evenly as is practicable on all classes of the people, I should be sorry to condemn the principles of the present settlement; but the fact remains that, if the present settlement had followed the lines of the old settlement in respect to the shares of Government and the land-holders, Government would, setting new cesses aside, have received two millions more per annum than it receives now. And making all allowances for new cesses, including those now imposed, the land-owners of the North-Western Provinces are receiving $1\frac{1}{2}$ millions more than they received before. And now that its imperative requirements have increased, I do not

consider that there is anything unjust or unreasonable in Government imposing upon the classes who received these great benefits the same burden which is imposed upon all other classes; and, after all, the entire fresh charge thrown upon the land-owners in the North-Western Provinces is only £80,000 or £90,000.

“Of course it requires no very great ingenuity to find some sort of objection, theoretical or practical, to every kind of tax; and I am sorry to have to say, that those who are loudest and most unreasonable and impatient in their demands that Government should take upon itself the liability of relieving and preventing famine, and of constructing extravagant works of irrigation, are the first to put into the mouths of the people reasons why no one should contribute anything towards such a purpose. But the money has to be raised, and this being so, I must congratulate Your Excellency's Government as to the substantially fair and even manner in which this liability has been distributed.”

The Hon'ble SIR JOHN STRACHEY said:—“My Lord,—In the discussion that has now taken place on the Bills before the Council, several questions of importance have been referred to, but I have said already all that I feel called upon to say upon most of them, and some of these questions have been completely disposed of by preceding speakers. There are, however, still a few points which have been raised, on which it seems right that I should offer some further explanation.

“First, as to the suggestion that these taxes should be imposed only for a limited period of time, in the hope that greater economy in military expenditure or otherwise may render their retention unnecessary. This suggestion has not been repeated to-day, but it was made at one of our former meetings, and I then promised to notice it.

“In reply to this, I would remind the Council that, before the Government resolved to introduce these measures, it carefully enquired whether any present reduction of expenditure could be made, and for the reasons I before stated, it was satisfied that, so far at least as the civil expenditure was concerned, no substantial relief could thus be obtained. In regard to the Home Military Charges, I sufficiently indicated the anxiety of the Government to obtain their reduction, or if that were not practicable, at least to prevent their increase. But here the remedy is neither in our hands nor in those of the Secretary of State for India. If any remedy is to be found, it can only be applied by the British Parliament. The circumstances, however, are obviously not such as to give any justification for our relying on such a reduction of charge as could affect our present calculations.

"Next, I must remind the Council that we have still not provided for a considerable part of the ordinary surplus of half a million, which we are bound to secure irrespective of the special surplus of 1½ millions to constitute the insurance against famine, and that we have reckoned on future possible increase of income or reduction of charge to make good the sum that we still had to provide.

"Again, it is to these possible improvements of income, or to increased economy, that we have to look for meeting those future unforeseen charges for which experience shows that we must be prepared, and we may consider ourselves fortunate if such charges can thus be met without fresh calls for taxation.

"Lastly, the causes which have led to our present demands are unfortunately permanent, and not temporary, and the resources we create to meet those demands must be permanent also, or at all events they must continue until evidence is forthcoming that such a change of circumstances has arisen as will justify our abandoning them.

"It was suggested at a previous meeting of the Council, and the proposal has been urged in a memorial received from the British Indian Association, that a separate fund should be created from the produce of the new taxes, for the objects now in view by the Government. I think it desirable to make a few observations on this subject. It may first be said that the money obtained by the new taxes will in fact be applied, either to discharge of debt, the special origin of which cannot be ascertained, or to the construction of useful remunerative works of precisely the same description as those on which a far larger sum has hitherto been spent year by year, partly obtained from the general revenues and partly from borrowed funds. It is not the intention of the Government to reduce this outlay; on the contrary, it hopes to be able to increase it. To create any separate fund, therefore, would be to make a perfectly arbitrary and artificial distinction between a small part of the outlay, say 1½ millions, and the larger part, say 3 millions, on works in themselves not really distinguishable in their character or objects. Such a division would be not only useless, but mischievous, and could not practically be maintained. It would necessarily lead to artifices in adjusting the grants and accounts, which would create suspicion and cause much trouble to all concerned.

"In fact, what the Government desires is to establish a sense of the obligation under which it is placed in respect to the expenditure due to Famine, which shall be felt in the same way as the obligation to provide proper Courts of Justice,

Police, Education, and so forth. For none of these objects has it ever entered into the mind of anyone to suggest a special allocation of the revenue or a separate fund. Nor can any greater reason be found for a separate Famine-fund than for separate funds for any of those other objects which are obligatory on the Government.

“The intention of the Government is to obtain the means of meeting the charges that arise in all parts of India on account of the relief of famine, whenever such calamities occur. This could not be done if the additional income obtained were specially allocated for expenditure in the Provinces where it was raised, and there never was any such intention.” At the same time it is held to be desirable to employ the Provincial Governments in obtaining the funds, and in supervising their application so far as it takes the form of an investment in useful works of a remunerative character. It is with this exclusive object that it has been proposed to make the new taxes Provincial, so that the best possible agency shall be secured for their collection and for administering their outlay in detail.

“I will not attempt to state in detail the reasons why the persons responsible or the administration of the finances reject separate funds of all kinds, unless under very special circumstances, as productive of confusion and complication without any counterbalancing advantage. It will be enough, probably, after what I have already said on this point, to reconcile the Council and the public to the decision of the Government, not, in the present case, to create any separate fund, if I point out that any other determination might lead to results probably not contemplated by those who have suggested the establishment of a separate fund; I mean that this might involve the necessity for imposing more taxation. Suppose, for instance, that the produce of the new taxes were by law strictly set apart from the general revenues and paid into a separate fund only to be applied to specified purposes. If, then, any sudden change of circumstances arose, calling for seriously increased expenditure, or causing a considerable falling-off in the revenue, we should have to choose between the imposition of fresh taxes and the abrogation of the law constituting the fund; for I set aside the idea of meeting ordinary charges by borrowing as a course financially inadmissible. This dilemma might arise, though the pressure was likely to be only temporary; nor can any one say that such a contingency would be at all improbable, or that it might not occur at any moment.

“With all my desire to see the pledges maintained that we have given, as to the application of a sum not less than 1½ millions as an insurance against famine, I think it would be irrational, under many circumstances that I can conceive, to

object to the temporary diversion of any necessary part of the revenue from this purpose, with a view to obtaining relief which might be no less urgently required than that which experience has taught us to be requisite in meeting famine. When I introduced these Bills, I used the following words: 'Without thinking of a future far removed from us, events might of course happen which would render it impossible even for us who have designed these measures to maintain our present resolution.' I now merely repeat this, though I equally repeat what I before said, that 'I hope no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust.'

"While, however, I cannot give any hope of the constitution of any separate fund or account of the produce and application of these new taxes, I would remark that it has already been publicly announced by Her Majesty's Government in the House of Commons, that it is intended to take steps for placing before the public, in a clearer form than that hitherto followed, accounts of the Capital and Revenue income and outlay of the larger productive Public Works, whether carried on wholly or in part from borrowed funds. The Government is now considering the means by which this intention may best be acted on, and I trust that the reasonable desire of the public to receive in a full and thoroughly comprehensible shape accounts of the financial results of these undertakings will thus be complied with.

"The British Indian Association, in the paper to which I have already referred, have proposed as a proper and sufficient way of meeting the charge arising from famine, that the sum required to pay the interest on debt created in time of famine should be met by special taxation. It is precisely this view that the Government of India rejects as quite incompatible with proper financial principles. It is the capital charge that must be paid off, not the interest. To adopt the course proposed by the Association would lead to the constant increase of debt and taxation without limit—a course which cannot be admitted.

"The Association also appears to regard it as sufficient if provision is made from time to time for the discharge of the obligations arising from debt incurred in the past. It has not a word to say as to the future. Here again, the policy of the Government is essentially different. The Government declares that it has exclusively in view the future, and that its primary object is to provide a revenue that shall enable it to meet future famines without permanent increase of debt or of annual charge on the revenues; and it proposes to combine with this a system which, by judicious application of

its increased means, shall secure the provision of those material improvements to the country which experience shows to be the best, nay, the only real, means of alleviating the pressure caused by famine when extreme drought occurs, while they are constantly adding to the wealth and prosperity of the people.

“ It now, my Lord, only remains for me to acknowledge, on behalf of the Government, the loyal spirit in which our measures have been received by all classes of the public, and to thank the Members of the Council who have taken part in our deliberations, here or in Committee, for the aid and support which they have given us.”

The Motion was put and agreed to.

The Hon'ble SIR JOHN STRACHEY also moved that the Bill as amended be passed.

The Motion was put and agreed to.

ADDITIONAL RATES (NORTH-WESTERN PROVINCES) BILL.

The Hon'ble SIR JOHN STRACHEY also moved that the Report of the Select Committee on the Bill for the levy of Additional Rates on Land in the North-Western Provinces be taken into consideration.

The Motion was put and agreed to.

The Hon'ble Sir JOHN STRACHEY also moved that the Bill as amended be passed.

The Motion was put and agreed to.

ADDITIONAL RATES (OUDH) BILL.

The Hon'ble SIR JOHN STRACHEY also moved that the Report of the Select Committee on the Bill for the levy of Additional Rates on Land in Oudh be taken into consideration. He said :—“ MY LORD,—There is only one point in regard to this Bill which I wish to mention. In all the Bills for imposing additional rates on the land, it has been assumed by the Government that no questions are now under discussion regarding the propriety of altering the law under which the existing rates on land are levied.

“ On this ground we have not been able to meet the wishes which in regard to some matters have been expressed by the Local Governments, that this opportunity should be taken of amending the existing law.

“If such amendments are desirable, they must be separately considered hereafter. The sole object of our present measures is the imposition of new taxation for certain purposes. So far, therefore, as the existing rates on land in Northern India are concerned, our present Bills do nothing more than re-enact the existing law. To this general statement there is one exception only, and it is to be found in the present Bill relating to Oudh.

“In March last Act VII of 1877 was passed, authorising the Government of the North-Western Provinces to appropriate a sum, not exceeding one-tenth part of the local rates, for the purpose of meeting charges on account of railways and canals of general provincial utility.

“This Act has received the approval of the Secretary of State. The Lieutenant-Governor and Chief Commissioner of Oudh has, as the Council is aware, asked that a similar power to that which I have just described should be given to the Administration of Oudh, which has now been united to that of the North-Western Provinces. The Government considers that the circumstances of Oudh are so similar to those of the neighbouring Province, that there can be no objection to applying the same principle in both cases.

“This view has been adopted by the Select Committee, and, in accordance with the wishes of the Local Government, the necessary alteration has been made in the Bill as it was originally introduced.”

The Motion was put and agreed to.

The Hon'ble SIR JOHN STRACHEY also moved that the Bill as amended be passed.

The Motion was put and agreed to.

ADDITIONAL RATES (PANJAB) BILL.

The Hon'ble SIR JOHN STRACHEY also moved that the Report of the Select Committee on the Bill for the levy of Additional Rates on land in the Panjáb be taken into consideration.

The Motion was put and agreed to.

The Hon'ble SIR JOHN STRACHEY then moved that the Bill as amended be passed.

His Excellency THE PRESIDENT said :—“I have listened with great attention, and I may add, with great satisfaction, to the comments made to-day upon the Bills which this Council has now passed into law. I do not wish

to detain unnecessarily the attention of the Council ; but, before I put the last question moved by my hon'ble colleague, I desire to make a few observations on the origin and objects of the policy embodied in those Bills.

“ Now, when this Government undertook the onerous task of effecting, in the revenues of the State, an increase sufficient to enable them to provide an insurance-fund for future famines, I certainly could not have ventured to hope that the measures which under the experienced guidance of my hon'ble friend and colleague, Sir J. Strachey, we prepared for that purpose, would have been discussed so generously, and received so favourably, as they have been, by this Council, and by all classes of the community represented in this Council. Those measures I can honestly affirm to be, at least, the result of long and anxious deliberation, guided by a scrupulous study of the social interests affected by them, and animated by a most earnest desire not consciously to add one unnecessary fraction to the existing burdens of the community. But taxation is an instrument which painfully resembles that of the dentist. Resort to it is, unfortunately, often necessary ; but it is never pleasant to the patient, even though it may promise him relief from acute distress ; and the operator is fortunate if his fingers be not bitten by the teeth he is called upon to extract. In the present case, although we have endeavoured to inflict as little pain as possible in the performance of an unavoidable operation, we were not unprepared for a little natural shrieking. But the success of the operation has been largely due to the admirable behaviour of the patient ; and, on behalf of our present measures, I feel bound to express the thanks of the Government, first of all, to those local Administrations on whose valued co-operation our whole financial policy is so largely dependent ; secondly, to the Press of India for the discriminating judgment and high public spirit with which it has recognized the difficulties of our position, the sincerity of our good intentions, and the necessity of our present action ; thirdly, to those enlightened exponents of Native opinion who have generously acknowledged the justice of the principles on which we have based our measures ; and finally, to the members of this Hon'ble Council for the practical aid they have given to the improvement of those measures in Committee, and the moral support with which they have honoured them in their passage through debate.

“ Our measures, however, have not been wholly exempt from criticism ; but their most adverse critics have been the persons who are least acquainted with the details of them, and none of those critics have favoured us with any practicable proposals in substitution of our own. They have told us, nevertho-

less, that, if these measures are well received, it is not because they deserve to be well received, but because those who have so received them are not affected by them, and those who are affected by them cannot make themselves heard. In short, to put the case as it is put by one of our censors, we have heaped upon that willing horse, the poorer classes, all the burdens which ought to have been placed upon gayer steeds.

“ Now, undoubtedly the taxes which will come into operation by the passage of the Bill before us must, to be successful, have a wide incidence. But the same condition applies to taxation in all countries, as well as to taxation in India; and in India, where the mass of the population is poor, it is impossible to obtain a large increase of revenue, such as we now require, from any tax which falls mainly on the rich. Vast private fortunes certainly exist in India; but the owners of large fortunes constitute but a very small proportion of the population; and I know of no circumstances which would justify, or any process short of confiscation which could enable, the Government of this country to concentrate upon the backs of its few rich subjects the main burden of that taxation which is necessary for the protection and improvement of its many poor ones. The European community in India, non-official as well as official, is a very hard-working, but certainly not a wealthy, one; and it was one of the most remarkable facts of the old income-tax, that only a comparatively small portion of the whole revenue obtained by that tax was covered by the upper layer of the schedule.

“ My hon'ble colleague, Sir John Strachey, has already shewn that it would be a gross misrepresentation of the present license-tax to say that it falls only on the very poor; and that, as a matter of fact, this tax touches no section of the community which can be fairly regarded, or rated, as other than a well-to-do class, if due regard be had to the known standard of life in India. But, then, we have been told by some other critics that we ought not to have exempted from the operation of this tax official and professional incomes. Now, I will not dwell upon the fact that the continued depreciation in the exchangeable value of silver has already very grievously reduced the incomes of those Government servants who, during the past two years, have been so nobly labouring (many of them at a great sacrifice of health, some of them at the sacrifice of their lives, all of them with a prolonged sacrifice of personal comfort) in aiding the Government to preserve the lives of its subjects from famine. I will not pause to ask whether a further deduction from their pay would be the State's fitting reward to its brave soldiers in that great campaign against so formidable an invader. But, of course, had we decided to tax official incomes, we could not possibly have exempted from taxation professional incomes of all

kinds ; and, if taxation were extended to professional incomes, where could the extension of it be stayed ? At what further point could we have legitimately limited our application of the principle under which income was taxed ? There is no conceivable form or source of income, whether derived from land, commerce, investments in public securities, the profits of literature, science, industry or anything else, which could, in that case, be fairly exempted from taxation. And thus we should be brought,—inexorably brought,—to what is really the only practical alternative to our present measures—the revival of the hated income-tax.

“ Now, no one can acknowledge more readily than I do that a scientifically adjusted tax upon all denominations of income is *prima facie*, wherever such a tax be practically possible, the wisest and fairest distribution of the public burden. The old Indian income-tax did not completely fulfil these somewhat ideal requirements. Its incidence was unequal, and its assessment a fruitful source of perennial grievance. But, for my own part, I confess that, had I found it in existence, I think my inclination would have been rather to reform and maintain it at a minimum rate than to abolish it altogether. Science, however, may sometimes prolong the existence of the living ; but it is another matter to resuscitate the dead. The income-tax was abolished by the administration of my predecessor ; and I have no doubt that those who abolished it, and who were in the best position to judge whether the popular opposition to it was well justified, had good grounds for their conclusion that its theoretical merits and ascertained financial convenience were insufficient to compensate the practical social mischief of the general heart-burning with which it was regarded by all classes of the community. Our predecessors, when they abolished the income-tax, not appreciating, as we were bound to appreciate them, the great additional burdens likely to be caused by famine, did not provide any other means of meeting financial emergencies, foreseen or unforeseen. Thus, with a depreciated silver standard, which greatly enhances the cost of all liabilities payable in gold, the present administration has been suddenly called upon, not only to pay the heavy bill for two years of unprecedented famine, but also to make pecuniary provision for the insurance of the country against future calamities of a similar character. Now, I need hardly point out how much more difficult it is to revive an unpopular impost than to retain it. But I can truly assert that the present Government of India would not for a moment have shrunk from confronting that difficulty, had it not recognized in the measures now before the Council a wiser and a sounder policy. The task we have undertaken, and which we hope to accomplish, is not to distribute the

public burdens according to *doctrinaire* ideas of abstract science or symmetrical perfection, but to provide sufficiently for the present requirements of the State in the manner least provocative of social inconvenience and popular discontent, by distributing the incidence of the burden which has to be imposed, along what is indicated, by the actual circumstances of the country, as the line of least resistance.

“We have felt that the two great classes of the community from whom we could most equitably collect our famine-insurance fund are the trading and the agricultural classes. The grounds of this conclusion have been lucidly explained by my hon'ble friend, Sir John Strachey, and I need not now revert to them. The first step in the taxation requisite for the fulfilment of the obligation imposed upon us was taken last year in the shape of a cess on the agricultural classes of Lower Bengal. This year it is supplemented in that province by a license-tax on the trading classes. In the North-Western Provinces the basis was laid last year by a contribution levied from the trading classes; and that contribution will now be supplemented by a cess upon the agricultural classes.

“The necessity of a famine-insurance fund, and the duty of the Government to provide such a fund, have been generally acknowledged. But equally general must be, I think, the acknowledgment that, in our selection of the sources of this fund (which are necessarily limited), we could not, with any show of reason or justice, have maintained the agricultural cess in Bengal had we shrunk from subjecting to a similar obligation the agricultural classes in the other provinces of Northern India. On that point, I think, the observations of my hon'ble friend the Lieutenant-Governor of Bengal are quite unanswerable. Nor is it less undeniable that, from the same point of view, and for the same reason, we could not justly maintain the license-tax upon the trading classes of the other provinces, if we did not impose it also on the trading classes in Lower Bengal.

“I think, then, I may fairly claim for the measures now before the Council at least the modest merit of an equitable distribution of famine-charges between the two great classes of the community who are, collectively, best able to bear them, and on whom such charges most reasonably fall. I think that no apology is needed, either to the community at large, or to those classes in particular, for our decision not to resort to the revival of the income-tax. But one thing I cannot too plainly or positively assert. Had we failed to secure the assent of this Council to our proposed taxes upon trade and landed property, we should have had no choice but to revert to the obnoxious income-tax.

There is absolutely no alternative that would adequately meet the requirements of the present occasion.

“ In speaking of the agricultural cess, I have not alluded to Madras and Bombay, because, as the Council is aware, we have decided not to extend this tax to the two Southern Presidencies. Our reason for that decision has been twofold. In the first place, we considered that, after two years of severe famine, the agricultural classes of Southern India are scarcely in a condition to bear any present increase in their direct contributions to the State; but our second reason for not augmenting the direct taxation of these classes in Bombay and Madras was really our chief reason; and it was that, on altogether other grounds, quite independent of our requirements on account of famine, it had become necessary to increase the salt duties of those Presidencies. It thus happens that, in consequence of the steps taken in the prosecution of a great fiscal reform, which has been the continuous aim of the Government of this Empire under at least four successive administrations, we have found ourselves justified in relieving the agricultural classes of the two Southern Presidencies from additional taxation which, at a time when other parts of the Empire were being subjected to increased burdens, we could not otherwise have foregone.

“ Now, here I would ask leave to remind the Council, that the taxation of salt is a part of the fiscal system which the British Government inherited from the Native Rulers of India. The history of our present salt-duties is a separate one for each province. Except in one respect, which I will mention immediately, these provincial duties have had no connection with each other; and hence that irregularity in the rates of them which the Government of India has always desired, and is now endeavouring to rectify. The only historical connection between these local salt-duties is to be found in the common origin of additions made to them in connection with the abolition of a mass of most vexatious transit-duties with which the whole surface of this Empire was formerly covered. Under Native Rule, tolls were taken on all roads and navigable rivers; and, in spite of their irregularity, these early transit-duties were probably less harassing to trade than the forms which they subsequently assumed under the Regulations of the East India Company; for those Regulations added to the original tolls all the refinements and checks of an elaborate customs-system. About half a century ago, the Government, recognising the intolerable inconvenience of these multiplied checks upon internal trade, decided to abolish them and substitute for them higher rates of duty upon salt. This great reform is mainly due to the enlightened advice of Sir Charles Trevelyan, then a

member of the Bengal Civil Service. Thus, by the Act of 1837, the salt-duty in Bombay was fixed at eight annas per maund, and, early in the following year all the transit, or inland customs, duties were abandoned in that Presidency. The town-dues, trade-taxes and other imposts of a similar nature were relinquished in 1844; and the Bombay salt-duty was again raised to twelve annas per maund. The fiscal result of these reforms was investigated in 1855, and it then appeared that the extinction of the condemned imposts had involved a loss of revenue amounting to more than 31½ lakhs of rupees, whilst the enhanced duty on salt had yielded only a revenue of less than 21½ lakhs. Thus, on behalf of fiscal reforms in the Bombay Presidency alone, the Government had sacrificed more than 12½ lakhs of rupees. In Madras, the loss of revenue incurred on behalf of the same purpose was still greater. The transit and inland-customs-duties, which the Act of 1844 abolished in that Presidency, had yielded a nett revenue of about 31 lakhs of rupees. In abolishing them, the Government raised the price of salt to rupee 1-8 per maund; but under the orders of the Court Directors, no more than 1 rupee per maund was levied for many years. This increase in the salt-duty yielded less than 9½ lakhs, while the revenue already surrendered had amounted to 31 lakhs. Again, in 1853, the tobacco-monopoly in Malabar and Canara was also relinquished; and finally, in 1860, the Government abolished the trade-tax, which yielded about 11 lakhs of rupees. Thus, the slightly increased salt-duty in Madras was accompanied by the surrender of about half a million sterling of revenue.

“I think these facts sufficiently prove that the history of the southern salt-duties is not one which the Government of India has any reason to recall with self-reproach. I may add, however, that a similar policy has been pursued in Bengal and the upper provinces of India. The Bengal transit-duties were abolished by the Act of 1838, and the Bengal salt-duty was fixed in the following year at rupees 3-4 per maund. The Act of 1843 abolished all import and export-duties on the frontiers of the North-Western Provinces, with the exception of the duties on salt, sugar and cotton; and the cotton-import-duty was abandoned in 1855; the salt duty in the North-Western Provinces having been fixed in 1843 at rupees 2 per maund, with an additional assessment of rupee 1 on all salt passing eastward of Allahabad. The annexation of the Panjáb was followed by an increase of the salt-duty of that province; but that increase was part of a general measure which extinguished simultaneously all the export, import, transit and town-duties previously levied in the province. It will thus be seen that the present system of comparatively high salt-duties in British India is the result of an enlightened and beneficent fiscal policy which has relieved British India from a multitude of mischievous and vexatious

imposts on internal commerce ; imposts described by a competent authority as being ' so full of inequalities, and anomalies, and complications, that it would be vain to enquire from what objections or what abuses they were free.'

" In 1868, Sir George Campbell, then Chief Commissioner of the Central Provinces, strongly advocated the introduction of these principles into the Native States of Rajputana. ' Might not the Native States,' he said, ' be induced to accept our system as, on the whole, the most justifiable ; that is, to substitute high salt-duty for all internal duties whatever ? To some extent the burden would thus fall more exclusively on the poorer of their subjects ; but, then, the system of constantly recurring transit-duties is so wasteful, and involves a burden so much greater than the nett gain to the State, that even to the poor the substitution of a high, but not excessive, salt-tax, collected cheaply and without vexation at the source of supply, would probably be a gain.'

" It is obvious, however, that we cannot carry out such a policy without correcting the inequalities which still unfortunately exist in the local rates of our own salt-duty. Now, the history of these inequalities deserves attention. I have already pointed out that, excepting their common origin, the present salt-duties have no connection with each other ; and I have mentioned the rates of the duty upon salt, under which the present fiscal system was first established in the different provinces. Those rates have subsequently undergone various modifications ; which, however, have, unfortunately, not tended towards their equalization. In Lower Bengal, the duty of rupees 3-4 per maund was gradually lowered to rupees 2-8, until, in 1859, it was again raised to rupees 3, and, in 1861, to rupees 3-4, which was the original rate. In the upper provinces, the rupees 2 duty was raised in 1859 to rupees 2-8 ; and, in 1861, when the Government abolished the differential duty on salt passing eastward of Allahabad, the rate for those provinces was raised to rupees 3 per maund. Meanwhile, in Madras the original rupee 1 duty, or rather the Government selling price, was gradually doubled. In 1861 it was raised to rupee 1-8 ; in 1866 to rupee 1-11 ; and in 1869 to rupees 2 ; whilst the import-duty was kept a few annas lower than the Government selling price. In Bombay, the 12 annas duty was raised, in 1859, to rupee 1 ; in 1865 to rupee 1-8 ; and in 1869 to rupee 1-13. The fact is, that the improvement which, under British Rule, has been effected in the communications between Madras and Bombay, had, at length, made it very desirable to place the salt-duty in each of those two Presidencies as nearly as possible on the same footing ; and, under the financial administration of Mr. Massey, this policy was adopted, not for the purpose of additional

taxation, but of fiscal reform. So long as this country was destitute of railroads, the inconvenience of a salt-duty, assessed at different rates in different provinces, was not seriously felt. The cost and difficulty of carriage prevented the lower taxed salts of one province from displacing the higher taxed salts of another; but when intercommunication had been greatly cheapened and accelerated by steam, then special measures became necessary for redressing or preventing the mischievous effects of these inequalities in the salt-duties. Thus, an inland customs-line was maintained solely to prevent salt taxed in Bombay at rupee 1-18 per maund from entering Bengal, where the salt-duty was levied at rupees 3 and rupees 3-4 per maund; and when that part of the customs-line was abolished in 1874, then other measures were devised for the same purpose, an increased freight or mileage-duty being levied on all salt carried by rail from Bombay into the Central Provinces. I need not here refer to the great customs-line so frequently and eloquently denounced by my hon'ble friend, Sir John Strachey, which still, unfortunately, exists for the sole purpose of intercepting, many miles from its sources of supply, the untaxed salt of Rajputana, and prohibiting its entry into British territory. I share the opinion of my hon'ble friend that the continued maintenance of this line is a great commercial and political scandal: and I sincerely trust that the history of the present administration may be associated with the removal of that scandal. I may mention here that, since the year 1875, the Government of India, always aiming at the eventual abolition of this great salt-cordon, has been able to effect a saving of five lakhs of rupees by continuous reductions in the establishment of it. But we could not invite the co-operation of our neighbours on behalf of a great fiscal reform which will, we believe, be ultimately beneficial to the whole Empire, if we shrank from simultaneously inviting the co-operation of our own provinces towards the attainment of the same result, even though it should involve some slight intermediate sacrifice on the part of some of them; and the form which such co-operation must necessarily assume is the equalization of our own salt-duty. Now, that is a policy which has been, for many years, if not pursued, at least proclaimed, by the Government of India. In 1868, when the Madras and Bombay salt-duties were only rupee 1-8 per maund, while the salt-duty was assessed in Bengal at rupees 3-4 per maund, and in the Upper Provinces at rupees 3 per maund, Lord Lawrence's Government thus addressed the Secretary of State:—

“ ‘We consider,’ said His Excellency in Council, ‘that there can be no justification for maintaining this excessive difference any longer than financial necessity shall require. There is no real reason why the people of Bengal

and Northern India should pay a higher salt-tax than the people of Madras and Bombay ; or why the people of Madras and Bombay should not pay as much as the people of Northern India. The population of Madras,' he continued, 'is, at least, as well off as, and the population of Bombay is even better off than, the population of the Bengal Presidency. The prices of salt in Madras and Bombay are generally lower, cost of production cheaper, and the distance of transit less, than in most other parts of India ; and the North-Western Provinces, where a high rate prevails, are subjected to particular disadvantage relative to most parts of India, by reason of distance from the source of supply and difficulty of transit ; so that the difference of duty ought to be in favour of these provinces, instead of being, as it now is, much against them.'

" Again, the same despatch significantly observes that, ' financially, it is not possible to bring the standard of the Bengal Presidency down to the standard of Madras and Bombay. We ought, however, to give Northern India that relief which it needs, and to which it is justly entitled ; and we might reasonably call upon Southern India to bear a somewhat fairer share than it now does of the burden falling on the salt-consumption of the country generally.'

" Finally, Lord Lawrence's Government declared that the equalisation of the salt-duties, by raising the rates of Madras and Bombay, and lowering those of Northern India, was an object to be steadily kept in view. In reply to the despatch from which I have just quoted, the Duke of Argyll, who was then Secretary of State for India, made the following observations :—' On all grounds of general principle, salt,' he said, ' is a perfectly legitimate subject of taxation. It is impossible in any country to reach the masses of the population by direct taxes. If they are to contribute at all to the expenditure of the State, it must be through taxes levied on some articles of universal consumption. If such taxes are fairly adjusted, a larger revenue can thus be raised, not only with less consciousness on the part of the people, but with less real hardship to them, than in any other way whatever. There is no other article in India answering this description upon which any tax is levied. Salt appears to be the only one which at present in that country can occupy the place held in our own financial system by the great articles of consumption from which a large part of the imperial revenue is derived. I am of opinion, therefore, that the salt-tax in India must continue to be regarded as a legitimate and important branch of the public revenue.'

" This despatch from the Secretary of State was communicated to the Government of Madras, but without any intimation of the wishes of the Government of India in regard to the subject of it. The Government of

Madras, however, was at that time administered by a man of rare ability and energy, whose great talents, and quick perception of sound principles, were at all times exerted with the wisdom and loyalty which specially distinguished his administration, in willing harmony with the efforts of the Government of India, on behalf of imperial, as superior to local, interests. I think that my hon'ble colleague, Sir Alexander Arbuthnot, by whom Lord Napier himself was so ably assisted and loyally supported, will confirm the justice of this tribute, which I feel bound to bear, not merely to the brilliant abilities of Lord Napier and Ettrick, but also to the excellent practical results of that uninterrupted harmony of purpose and action in the relations between the Government of India, under the administration of Lord Mayo, and the Government of Madras, under the administration of Lord Napier, for which the Supreme Government was indebted to that statesman. Thus, shortly after the communication of the Duke of Argyll's despatch to the Government of Madras, Sir J. Strachey was enabled to inform the Legislative Council of this Government, that the question 'had been taken up quite spontaneously by Lord Napier, whether the provinces under his administration might not co-operate in the great work of giving the people of less fortunate parts of India an ample supply of salt, equalizing the duties, and facilitating the abolition of the inland customs preventive line.' But it is only fair that I should quote Lord Napier's own words :—'The Government of this Presidency,' he said (*i.e.*, Government of Madras), 'is not asked to make a sacrifice for a revenue interest merely. It is asked to make a sacrifice for the welfare of the greater number of Her Majesty's subjects, and for the general good of trade.' The Madras Government consequently proposed to increase the Madras salt-duty by three annas at once, and subsequently by two additional annas, should the first increase prove to have been attended with no evil consequences. Then, in 1869, Lord Mayo's Government, with the concurrence of the Governments of Madras and Bombay, raised the salt-duty in those Presidencies by five annas per maund, distinctly explaining that this step was not taken merely to increase revenue, but specially to facilitate the equalisation of duties, and the eventual abolition of the inland customs-line. And it is satisfactory to find that the increase in the Madras salt-duty from rupee 1 to rupee 1-11 per maund was followed by a very considerable increase in the consumption of salt by the population of that Presidency.

"Then we come to the year 1876-77, when the Government of my immediate predecessor, Lord Northbrook, proposed a further increase of 3 annas per maund in the Madras and Bombay salt-duties, unaccompanied by any reduction in the salt-duties of Northern India. The Secretary of State apparently attri-

buted this proposal to financial pressure created by a rapid fall in the price of silver; and he withheld his sanction to it, under the impression that circumstances might prove that the Government of India had exaggerated the probable duration and future intensity of that phenomenon; in short, that it would be unwise to make a permanent change, to meet what might be a temporary difficulty. Lord Northbrook's Government explained to the Secretary of State that the chief motive of its proposal had been a desire to effect an approximation towards the equalization of the salt-duties, and the more comprehensive revision of those duties, which it had long regarded as an important financial improvement. It also considered that the measure, if adopted, would have involved important administrative advantages, by enabling the Inland Customs Department to curtail some part of their obstructive line, and it added, an expression of its belief that there were very sufficient reasons both financial and administrative, for carrying out that part of the measure which would have imposed small additions to the tax on salt in Madras and Bombay; still leaving the salt consumed in Upper India taxed 50 per cent., and the salt consumed in Bengal taxed 60 per cent., higher than the salt-consumption in the Southern Presidencies.

“ Finally, during the first year of my own administration, my late colleague, Sir William Muir, just before he resigned his charge of the Financial Department, placed on record a Minute strongly recommending the immediate revival, even in the middle of the financial year, of the above-mentioned proposal to raise the salt-duties in Southern India, without lowering the salt-duties in Northern India. But, in this Minute, Sir William Muir went even further than Lord Northbrook's original proposal. For whilst, on the one hand, he proposed to raise the salt-duties in Madras and Bombay at once to rupees 2-8 per maund, on the other hand, he proposed, instead of lowering the Bengal salt-duty, to raise it also by 4 annas per maund; and, in support of these proposals, he appealed to his intimate experience of the people of the North-Western Provinces to prove that even a three-rupee duty does not anywhere press sensibly upon the population.

“ Now, I felt unable to adopt the proposals thus urged upon me by Sir William Muir, and I wish to mention why. It has always appeared to me that a substantial increase in the salt-duties of Southern India is a perfectly legitimate, and even salutary, measure; provided only that measures be deliberately adopted, not as a temporary financial expedient for raising revenue at a pinch, but as the integral and necessary part of a well-considered comprehensive plan, which has previously been ascertained to be practicable, for

getting rid of all our inland customs-lines, equalising the rates of the salt-duty in all our provinces, and thus providing the whole population of the Empire with a practically unlimited supply of adequately cheap salt. But the proposals of my late colleague fulfilled none of these conditions. I considered that, before calling on the Governments of Southern India to make some reasonable sacrifice on behalf of this great fiscal reform, it was incumbent on the Government of India to do what it had hitherto not done ; that is to say, to ascertain by negotiation with the Native States of Rajputana and Central India, whether there was any practical prospect of realising, within a reasonable period of time, the paramount object to which all the present or prospective alterations in the rates of the salt-duty in British India should, in my judgment, be subsidiary ; namely, the abolition of the inland customs-lines. In the next place, I considered that, whenever we raised the salt-duties in Southern India, nothing but an overwhelming pressure of financial responsibility ought to prevent us from endeavouring to effect at least some simultaneous reduction in the salt-duties of Upper India. In conformity with these principles, the Government of India has, for more, than twelve months, been assiduously labouring to carry out a thoroughly sound fiscal reform in the levy of the salt-duties

“ I would now ask permission to state to the Council, in a general way, what we have actually done, and what we hope to do, in this matter. Our first step was to enter into confidential communication with the Native States I have already mentioned, for the purpose of obtaining their acquiescence in our control over the salt-sources in their territories, and thus enabling us to tax all salt at the places of production, and so abolish our present barbarous inland customs-cordon ; upon conditions equitable, and indeed liberal, as regards the financial interests of the Native States concerned and the social interests of their subjects. Now, the Council will not expect me to explain the detail, of these negotiations, which have been going on for several months ; but I think I am in a position to assure it that at present they are far advanced towards a satisfactory completion. We have approached the Native Governments with every consideration for their legitimate interests. We have been met by those Governments in a friendly and reasonable spirit. We have received from them much valuable information and suggestion ; and we have formulated our own proposals in careful accordance with the information and suggestions thus received. The result is, that I feel justified in anticipating, at no distant date, the conclusion of arrangements with the great salt-producing States of Native India which, whilst satisfactory to them, and to us, from a financial point of view, will render possible

the introduction of a great fiscal reform, generally advantageous to the population of the whole Empire. It is evident, however, that if our negotiations be attended with the success I anticipate, the first question we shall then have to determine on our own behalf will be the duty to be levied on salt at the places of production. Now, until our recent salt-measures were adopted, that is to say, only a month ago, the rates of the salt-duty levied on British territory surrounding Native territory, varied from 8 annas per maund in Sindh, and rupee 1-13 in Bombay, to rupees 3 per maund in the west and north, by a gradual increase of milcage duties along the south; so that the maximum duty of rupees 3 in the Panjáb was in direct contact with the minimum duty of $\frac{1}{2}$ a rupee in Sindh. Now, I think the Council will perceive at once that, had the recent alteration not been effected in the salt-duties of Southern India, it would have been extremely difficult for this Government to decide at what rate Rájputána salt should be taxed at the various places of production so as to permit the removal of the customs-lines without serious loss of revenue to the British Government. If the Bombay rate of rupees 1-13 per maund were adopted, then salt taxed at this rate would, in the absence of the preventive line, pour into the Panjáb, the North-Western and the Central Provinces of India, displacing in those provinces the salt taxed at rupees 3 per maund. If, on the other hand, the higher rate of rupees 3 were adopted then Rájputána itself would be flooded with the cheaper salt of Sindh and Bombay, and the Rájputána salt-industry would be killed. Moreover, whenever the Rájputána State Railway is completed to Ahmadábád, and even, perhaps, before the completion of that railway, the Runn salt of the Bombay Presidency, a first class salt, admirably adapted for carriage without waste, would enter and permeate the whole of Northern India now within the customs-line, at a cheaper rate than the difference of duty, thus widely ravaging our salt-revenue. I venture to maintain, therefore, that an equalisation of the salt-duties in British territory surrounding the salt-producing Native States is a necessary preliminary to the abolition of the inland customs-line; that in the advanced stage of our negotiations with those States it was incumbent on us to lose no time in making an appreciable approach towards the establishment of such an equalisation in our own salt-duties; and that no measure adopted for that purpose could practically be confined to the territories I have mentioned. The Madras duty must be on the same level as the Bombay duty; and the duty in Lower Bengal must not be very much higher than the duty in the Upper Provinces; for, otherwise, the dearer salt would be entirely displaced by the cheaper salt, to the great disturbance and injury of trade. Now, I grieve to say that, in the present state of our finances, it was simply impossible for us to lower the rates in Northern India

down to the level of the rates in Southern India. Such a measure would have involved the loss of at least $1\frac{1}{2}$ million sterling of revenue. We had, therefore, to choose between raising the rates in Southern India, without making any simultaneous reduction in the rates of Northern India, or making an addition to the rates in Southern India considerably larger than the simultaneous reduction effected in Northern India. It is the last of these two courses that we have now adopted in the belief that it is the fairest. We have not raised the rates in Southern India without effecting at least some simultaneous reduction in the rates of Northern India; and I assert that this is more than any previous Government of India has done towards the establishment of an equilibrium in the salt-duty upon equitable principles, and at a level which, if high in the first instance, will, I trust, be found susceptible of gradual reduction to a minimum uniform rate. We have raised the Madras and Bombay duties to rupees 2-8; that is to say, we have increased them by 11 annas per maund: but we have simultaneously lowered the salt-duties in the Upper Provinces of Northern India by 4 annas per maund, and in the Lower Provinces by 2 annas per maund; so that, at the present moment, the salt-duty in the Southern Presidencies stands at rupees 2-8, in Lower Bengal at rupees 3-2, and in the Northern Provinces at rupees 2-12 per maund. I must again remind the Council that we have not made these alterations in the rates of the salt-duties without having first assiduously laboured to secure practical guarantees for the early accomplishment of that great and beneficent object which will, when accomplished, complete the fiscal reform, of which these measures are but the necessary preliminaries; and, in this respect also, I think I am entitled to assert that the present Government of India has done more than any of its predecessors have attempted to do, in furtherance of the fiscal policy which all its predecessors have advocated and proclaimed. The inequalities which still remain in the assessment of the salt-duty are sufficiently inconvenient; and it is my earnest hope that the present Government may have an early opportunity of still further approximating the rates in Northern India to the existing rates in Southern India; for we calculate that a uniform rate of rupees 2-8 per maund will give us, with a diminished inconvenience to the trader, and great benefit to the general consumer, about the same revenue as that which we have hitherto realised from the duty at its previous unequal rates. It is true that the present enhancement of the salt-duty in Madras and Bombay is calculated to give an increased revenue of £300,000. But, then, I must remind the Council that we have not imposed any other form of famine-taxation on the agricultural classes of those two Presidencies. I cannot too earnestly repeat that our main object in dealing with the salt-duties of Madras and Bombay has not been to obtain a larger revenue on the

whole than we could have obtained had we left those duties alone, but to facilitate and accelerate the completion of that great fiscal reform to which, under four successive Viceroyalties, the Supreme Government of this Empire has long been committed, quite irrespective of all financial exigencies occasioned by famine or other causes. The additional taxation which, on this ground, it was necessary to impose upon Southern India we have willingly accepted as a justification for exempting the agricultural classes in that part of India from the contribution exacted from the same classes in other parts of India on behalf of famine-expenditure.

“In earnest of our sincerity in affirming that our recent alterations of the salt-duty have been made, not for revenue, but for fiscal, purposes, I may again remind the Council that, by reducing the salt-duty in Bengal and in Northern India, we have sacrificed £200,000 worth of revenue. Nor should it be forgotten, I think, when we come to consider the practical incidence of the existing salt-duties upon the poorer portion of the population, that the extension of railway-communication has done much to cheapen the virtual price of salt to the people. For instance, the lines which now connect Bombay with Boypore and Madras, on the one side, and Jabalpur and Nágpur on the other, and those which connect Negapatam with Tuticorin, carry salt from the sea-coast to the interior at the rate of 1 anna per maund for about every 50 miles. Thus, the carriage of a maund of salt from Madras or Bombay to any intermediate railway-station does not now exceed 8 annas, which is considerably less than the old cost of carriage by road, and may be fairly reckoned, in favour of the consumer, against the corresponding increase of duty.

“Similarly, in the Bengal Presidency, the present railroads have placed a great part of the country in immediate communication with the sea-coast and internal salt-sources ; so that, in spite of the continued imposition of comparatively high duties, the development of railway-communication has cheapened the price of salt over a great part of the country ; and further reductions in the price of salt may consequently be expected from further progress in the development of railway-communication.

“But, sincerely as I desire to see the price of salt not only equalised, but cheapened, throughout India ; earnestly as I hope that it may be the privilege of this administration to accelerate the arrival of the day when such a result may be attainable ; still, I must frankly own that I feel unable to accept the dictum of those who assert that the present salt-duties are a grievous burden to the long-suffering back of the poor raiyat. It may be in the power of the Govern-

ment of India, and I hope, indeed, it may be in the power of the present Government of India, to lighten that burden such as it is ; but it is my own belief that it will never be in the power of any Government of India to devise a substitute for it, which will weigh less heavily on the poorer classes, or be less sensibly felt by them. A salt-tax of rupees 2-8 per maund is a tax of less than three farthings per pound. It would be absurd to represent the pressure of such a tax as oppressive. The manner in which the tax is levied renders the pressure of it almost inappreciable. It is an indirect impost, distributed, in minute daily instalments, over vast masses of population ; and, in all probability, the majority of the millions who pay it are not even conscious of its existence. It is the only obligatory tax imposed by this Government upon the masses ; and the total amount of its proceeds, when compared with the numbers from whom it is collected, shows how small is the contribution of each individual.

“ The gross estimated revenue of a salt-tax, assessed at rupees 2-8 per maund, is about 6 millions sterling ; and this revenue would be collected from a population of not less than 200,000,000 of consumers. On this point, I shall again venture to quote the words of Sir William Muir. ‘ If,’ he said, ‘ there were any form of indirect taxation which could be brought to bear upon the rich, rather than upon the poor, and on the luxuries, rather than on the necessaries, of life, I would at once agree to such a tax ; but I know of none that is practicable.’ And then, after dwelling on the dissatisfaction occasioned by all attempts to extract national revenue from the wealthier classes by direct taxes specially imposed on those classes, as compared with the ascertained social results of indirect taxation levied on a commodity which is consumed by rich and poor, and equally necessary for all classes in the community, Sir William Muir concludes by this emphatic record of his own experience : ‘ In the one case,’ he says, ‘ we stir up angry feelings in every class throughout the country ; in the other case, we peaceably realise what we require, without affecting the contentment and tranquillity of any class.’

“ In quoting these words, I do not forget that it is no justification of a bad tax that it is borne without complaint, or even without being perceived, by those on whom it really falls. A poison may be fatal, administered in repeated doses, infinitesimally small. All that I desire to point out is, that, so far as objections might arise to the salt-tax on the ground of its being unpopular, as we well know it has been in other countries, such a reason for rejecting this form of taxation has no existence in India.

"I trust, then, I have shown that the recent action of the present Government of India, in reference to the salt-duties of Madras and Bombay, is in complete accordance with the consistent, continuous and repeatedly avowed aim of its predecessors during the last ten years and more. I trust I have shown that of the sincerity of its devotion to the prosecution of that aim the present Government of India has given conspicuous proof, by taking, for the attainment of it, bolder and wider steps than any which have been taken by previous administrations. I trust I have shown that these steps have been taken without deviation from the course prescribed to us by our predecessors. And if I have succeeded in this endeavour, then I think I am entitled to claim from all who have questioned our policy, a complete acquittal from the charge that, in what we have done, we have sacrificed the interests of the poorer classes to those of the richer, with a view to a mere increase of revenue. The point at which we have now arrived is this. The salt-duty in Madras, Bombay, Sindh and the Central Provinces has been equalized at the rate of rupees 2-8 per maund. In the North-Western Provinces, Oudh, the Panjáb and Lower Bengal, it still varies between higher rates. The aim of the present Government will be to reduce those higher rates to the level already reached by the salt-duties of Southern India. Nor shall we relax our endeavours to cheapen the price of salt throughout the whole Empire by improving our means of communication with the sources of supply. I trust that our administration may last long enough to achieve these long-deferred results; and that my hon'ble friend, Sir John Strachey, may still be a Member of it when we attain the Promised Land to which he first guided our progress, and thus fulfil his eloquent prophecy of the day when the Government of India will have given to the people of India 'the means of obtaining, with the least possible inconvenience, and at the cheapest rate consistent with financial necessities, a supply of salt only limited by the people's capacity of consumption.' In the meanwhile, we must continue, I fear, though animated by hope and free from self-reproach, to adopt the motto suggested by some schoolmaster for the door of a grammar-school, and borrowed from that venerable authority, the Eton Latin Grammar—'*Præsens imperfectum, perfectum futurum.*' With the expression of this hope, I now beg to put the question moved by my hon'ble colleague."

The Motion was put and agreed to.

TRANSFER OF PROPERTY BILL.

The Hon'ble MR. STOKES presented the Preliminary Report of the Select Committee on the Bill to define and amend the law relating to the Transfer of property.

FERRIES (PANJAB, N.-W. P. AND OUDH) BILL.

The Hon'ble Mr. STOKES also moved for leave to introduce a Bill to regulate Ferries in the Panjab, the North-Western Provinces and Oudh. He said that in the Panjab, owing to the inadvertent repeal by Act IV of 1872 (the Panjab Laws Act) of Bengal Regulation VI of 1819, there was now no law at all for the control of ferries. One result of the repeal was that everything done by the Magistrates for the last five years in the way of appointing persons to the charge of Public ferries, regulating the rates of toll, the number and description of boats and so on, had been done without any warrant of law. Another result was that unlicensed persons might legally set up private rival ferries near ferries managed by Government, and thus materially reduce the income derived from the latter, and the funds available for keeping them in order. In the North-Western Provinces and Oudh, the Bengal Regulation VI of 1819 was still in force; but the Local Government had expressed a desire that it should be replaced by a measure better adapted to the requirements of the present time and the conditions of modern legislation. The Bill had been framed on the lines of the Burma Ferries Act, which this Council had passed in 1873, and which he believed was working well, but of course some modifications were necessary to adapt this measure to the circumstances of Northern India. He would, if the Council gave him leave to introduce the Bill, explain those changes on a future occasion.

The Motion was put and agreed to.

ARMS BILL.

The Hon'ble Sir EDWARD BAYLEY moved that the Hon'ble Mr. Thornton be added to the Select Committee on the Bill to consolidate and amend the law relating to Arms, Ammunition and Military Stores.

The Motion was put and agreed to.

The Council adjourned to Wednesday, the 13th February 1878.

D. FITZPATRICK,

Secretary to the Government of India,

CALCUTTA;

The 9th February 1878.

Legislative Department.

NOTE—The Meeting which was originally fixed for Wednesday, the 6th February 1878, was adjourned to Saturday, the 9th February 1878.