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ABSTRACT OF THE PROCEEDINGS
OF THE
Council of the Governor General of
ASSEMBLED FOR THE PURPOSE OF MAKING
LAWS AND REGULATIONS.

1880.

WITH INDEX.

VOL. XIX.

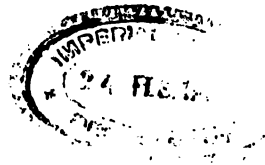
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1881.



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

THE Council met at Government House on Tuesday, the 24th February, 1880.

P R E S E N T :

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

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

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

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

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

General the Hon'ble Sir E. B. Johnson, R.A., K.C.B., C.I.E.

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

The Hon'ble Rivers Thompson, C.S.I.

The Hon'ble Sayyad Ahmad Khán Bahádur, C.S.I.

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

The Hon'ble B. W. Colvin.

The Hon'ble Mahárájá Jotindra Mohan Tagore, C.S.I.

The Hon'ble G. H. M. Batten.

The Hon'ble C. Grant.

The Hon'ble E. C. Morgan.

The Hon'ble H. J. Reynolds.

TRADES AND PROFESSIONS TAX BILL.

The Hon'ble SIR J. STRACHEY moved that the Resolution of the Council of the 24th December last, referring the Bill to impose a tax on Trades and Professions to a Select Committee, be cancelled. He said—

FINANCIAL STATEMENT.

“1. MY LORD, I have now to lay before the Council the Financial Statement for the coming year 1880-81. It takes what has become the somewhat unusual form of a speech by myself, instead of a Resolution published in the Gazette. I shall state to the best of my ability all facts necessary to enable the Council and the public fully to understand the present condition and apparent prospects of our finances.

“I propose in the first place to give a summary of the main facts and figures for the year 1878-79, for the year 1879-80, now about to close, and

for the coming year 1880-81, and to reserve for a later part of my statement the observations which I may wish to make upon some of the more important questions of our financial policy.

“2. The Council will see, from the Abstract Statements which have been laid on the table, that a few changes have been made in the forms of the accounts.

“New major heads have been opened to show separately the revenue from *Registration* and the expenditure on that department of the administration.

“The *Guaranteed* and *State Railways* are now shown together under the single head *Railways*. The purchase of the East Indian Railway by the State, involving its transfer from the category of guaranteed to that of state railways, has made comparisons of the current estimates with the past accounts in each separate category impossible; and a like disturbance will ensue on the acquisition of other lines constructed by private capitalists under a guarantee of interest from the public revenues. Moreover, negotiations are already in progress for the working of the Indus Valley State Railway by the Sindh, Punjab, and Delhi Railway Company. It would be difficult to distinguish between the transactions of the two railways under one management. Similar arrangements for the management of other state railways are likely in the future.

“For like reasons, the transactions with the *Madras Canal and Irrigation Company* will henceforth be entered under the major head, *Irrigation and Navigation*, under which head the cost of agricultural works (drainage and embankments) will also, hereafter, be shown.

“Thus the public works heads of account will now be *Railways, Irrigation and Navigation*, and *Other Public Works*.

“3. In March last the Regular Estimate for 1878-79 showed a probable surplus, on the ordinary Account, of £1,300,000; the actual surplus was £2,044,391, or £744,391 better than the estimate. The differences between the Accounts and the Regular Estimates are for the most part unimportant, and there are not many of them which now call for remark.

“The net cost of the war in Afghanistan in 1878-79 was £676,381, a close approximation to the estimate of £670,000 made last year. Against this must be set the gain, the amount of which cannot be exactly stated, under the heads of *Railways* and *Telegraphs*. We estimate at £575,000 the ultimate net total cost of the operations in Afghanistan recorded in the Accounts of 1878-79. The sum of £313,420 was spent on *Famine Relief*.

“4. Compared with 1877-78, the Revenues of 1878-79 show an improvement of £6,238,393, of which, however, £2,400,331, under the head of *Provincial Rates*, for the first time incorporated in these accounts, is nominal. The largest increase was under *Land Revenue*, £2,460,919; the loss under this head in 1877-78, in consequence of famine, had been very large. There was a saving of £5,032,355 in *Famine Relief*; there was an increase of expenditure of £1,705,767 under *Loss by Exchange*, and £1,339,281 under *Public Works*. The apparent increase under *Public Works* is explained by the transfer of charges in the earlier year from this head to that of *Famine Relief*, and does not represent a real fluctuation of Public Works expenditure. Altogether the expenditure of the year exceeded that of the previous year by £650,915. The net result is £5,587,478 better than the result of 1877-78.

“5. Thus the financial outturn of 1878-79 was very satisfactory; with the help of the additional taxation imposed in that and in the previous year, amounting to £1,227,891, of which £313,420 was spent on Famine Relief, the true surplus of the year exceeded the amount of £2,000,000, decided to be necessary to meet our obligations on account of famine, and to leave a margin for other contingencies; and this result was obtained, notwithstanding the expenditure on the war, and the remission of the Inland Sugar Duties and some of the Customs Duties on cotton goods and other articles. The standard at which, for ordinary times, the Government aims, namely, a surplus of £2,000,000, less any expenditure on Famine Relief and exclusive of extraordinary charges such as those for great military operations, would have been attained if the accounts had shown a surplus of only £1,010,199, or £1,034,192 less than the actual surplus.

“6. I see only one drawback to entire satisfaction with these results; some of the capital expenditure under productive public works, as, for example, that on the Indus Valley and Punjab Northern Railways, cannot at present be regarded as directly reproductive. The works themselves possess the highest value; and for the future, as the Council is aware, no expenditure which is not really and directly reproductive is to be excluded from the comparison upon which the Surplus or Deficit of the revenue is ascertained. It will be seen later on that we are acting strictly on this principle in the present and coming years.

“7. I come now to the Regular Estimates for the present year, 1879-80.

“It is now expected that the revenue will amount to £67,583,000, or £3,021,000 more than the original estimate, and that the ordinary expenditure

will be £67,464,000, or £1,507,000 more than was estimated. Thus, instead of a deficit of £1,395,000, with which, when our budget estimates were framed, we expected that the present year would close, our estimates now show a surplus of £119,000.

“8. The original estimates provided for an additional military expenditure of £2,000,000 for the war in Afghanistan; if the war had ended with the treaty of Gundamak, I believe that this estimate would not have been exceeded; but, in consequence of the renewal of hostilities, the estimated additional charge has risen to £3,216,000. In addition to this amount, we have had to undertake the construction of railways on our frontier. I shall have to speak of them further on; but in the present year they are estimated to cost £1,670,000. Thus the total provision on account of the war has now been increased to £4,886,000. With the exception of £230,000 on account of the Railway from Jhelum to Rawal Pindi, which is included under the head of *Railways*, the whole of this sum, under orders from the Secretary of State, is charged against *Army*. It was a question whether they ought not to have been included under the head of *State Railways*, and as they will undoubtedly, quite independently of their present military importance, possess great and permanent value to the country, much was to be said in favour of this view. But, as their construction was primarily due to the war, it was decided to include their cost in the war expenses. The result will be to exaggerate the apparent amount of our military expenditure.

“An expenditure of £10,000 upon *Famine Relief* was estimated; this, on account of distress in parts of the Bombay Presidency, has been raised to £99,000. On the other hand, the Railway and Telegraph receipts are better, by reason of the war, to the extent of about £300,000.

“9. Thus, but for war and famine, the Regular Estimates of the present year would have shown a surplus revenue of about $4\frac{3}{4}$ millions sterling. The taxes imposed in 1877 and 1878, to enable us to discharge our obligations in time of famine, will, it is estimated, yield £1,184,000; and, if we deduct the sum of £99,000, actually spent on famine relief, there will remain of this revenue £1,085,000. To this extent, the new taxes have had the effect of preventing debt. Making allowance for other abnormal items on both sides of the account, the true surplus of the year for comparison with the standard surplus of £2,000,000, at which we aim, will be about £4,160,000. This surplus, if it had been actually obtained, would have been much in excess of the whole expenditure on productive public works, which is estimated at £3,700,000.

“ If present prospects are fulfilled, the financial outturn of the present year 1879-80 will leave nothing to be desired.

“ 10. The most important variations from the original estimates are the following :—

“ *Land Revenue.*—Improvement, £450,000; more than half of this has been collected on account of arrear of former years, and the increase is due to the increased prosperity of the country.

“ *Salt.*—Net improvement £362,000; this also is highly satisfactory, as showing a general increase of consumption.

“ *Opium.*—Net improvement, £1,900,000. In September last the duty on Malwa Opium was raised by Rs. 50 a chest; the revenue from Opium this year has been unprecedentedly large.

“ *Assessed Taxes.*—Decrease £93,000. This is the result of the orders given during the year for the exemption of the smaller incomes from taxation.

“ *Stamps* have improved by £114,000. The stamp revenue has been constantly increasing; during the last seven years it has risen from £2,516,400 in 1872-73 to £3,090,000 in 1879-80, or by £573,600.

“ Under no head of the revenue has there been any serious decrease.

“ 11. On the expenditure side of the account, the following are the chief variations from the original estimates :—

“ *Interest on debt.*—Decrease £389,000; the chief saving is in the discount on the loan of March 1879.

“ There has been a satisfactory increase in the Savings Bank Deposits, which now exceed £2,000,000; in December last new rules were issued increasing the rate of interest from $3\frac{3}{4}$ to $4\frac{1}{8}$ per cent., and for preventing trouble to depositors.

“ *Post Office.*—Increase £63,000. The new contract with the Peninsular and Oriental Company came into force in February 1880. The yearly subsidy has been reduced from £430,000 to £360,000; the efficiency of the service has been increased, and the rates of postage to Great Britain have been reduced. Post cards costing $\frac{1}{4}$ anna each were introduced in April 1879, and are already so popular that it is difficult to supply the demand.

“ In *Telegraphs*, the excess of expenditure over receipts will, this year, be only £6,000; there has been a satisfactory growth of revenue, amounting to £145,000, of which, however, £50,000 is attributed to the war.

“ *Stationery and Printing*.—Decrease of expenditure £99,000; this is to some extent nominal. Supplies will, in future, be largely bought in India, instead of in England.

“ *Superannuations*.—Increase of net expenditure, £168,000; this is owing to the reduction of Public Works establishments, to which I shall have again to refer.

“ Including an expenditure of £230,000 on the Jhelum and Rawal Pindi line, *Railways* are worse by £204,000, of which, however, £150,000 appears as a transfer under *Gain by Exchange*. If these adjustments are made, the Railways show an improvement of £176,000. But the Railways, and especially the Great Indian Peninsula and the Oudh and Rohilkund lines, have not been as prosperous as, at one time, we hoped they would be.

“ *Public Works*.—There has been a saving of £747,000, to which I shall refer again.

“ *Provincial and Local Surpluses*.—Net surplus £265,000. Improvement £456,000.

“ There was a like improvement of £469,000 in the accounts of 1878-79, as compared with the regular estimates. The provincial and local balances at the end of 1879-80 are now expected to exceed the sums last estimated as follows:—

		Provincial.	Local.	Total.
		£	£	£
Now estimated	...	1,331,800	1,336,700	2,668,500
Estimated last year	...	837,000	716,900	1,553,900
Better	...	494,800	619,800	1,114,600

“ This result is the more remarkable and satisfactory in that, during the year, the Local Governments agreed to contribute from their balances in special aid of the imperial treasury the sum of £670,000, half of which, £335,000, is charged in the accounts of the current year. The other half will be charged in 1880-81. The reduction of their expenditure on public works and the general improvement of their provincial resources has enabled the Local Gov-

ernments to afford this timely help to the general finances with little apparent difficulty.

“The *Army* shows an increase of £2,768,000; which I have already noticed. Apart from the war, the regular estimate is for a net expenditure of £15,487,000; the excess of £112,000 over the original estimate being due to high prices.

“*Exchange* shows an improvement of £1,010,000; the original estimate was for the remittance to the Home Treasury of £15,000,000 at an exchange of 1s. 7d.; it is now hoped that £15,750,000 will be remitted at an average rate of 1s. 8d.

“*Productive Public Works*, on which £3,700,000 was spent, show a small increase; 511 milés of railways have been opened for traffic during the year. At the end of the year there will be 8,724 miles in use and 1,462 under construction. I shall speak again of the frontier railways. Great progress has been made during the year with the Rajputana Line. The Lines in Bengal have been completed, and fair progress has been made on the Line from Nágpur to Raípúr.

“*Irrigation Works* show an expenditure of £797,000. In Madras, much progress was made with the Godaveri and Kistna Delta and other works. In Bengal, the Orissa project, so far as the works have been sanctioned, approaches completion. In the North-Western Provinces and Punjab, much useful work has been done on the Upper and Lower Ganges Canals, and on the Western Jumna and Sirhind Canals.

“Satisfactory progress has been made with the Madras Harbour Works.

“*Revenue and Working expenses of Productive Public Works* show an improvement of £638,000, due mainly to the inclusion, so long desired, of the land revenue in the Madras Presidency attributable to these works.

“12. The details of the Loan operations of the year are as follows:—

“*Debt incurred*.—Net £5,131,000. More than estimate £804,500, of which £540,700 was in India, where less was paid off than was expected, and £263,800 in England, where £270,016 less than was estimated in March last was raised at the close of 1878-79.

“The loan of £5,000,000, which was notified on the 13th March 1879, was subscribed at an average of 95-0-6 per cent. The discount upon it charged in the accounts of 1879-80 was £247,239. Of the outstanding portion of the 5½

per cent. Loan of 1859-60, £1,123,900 will be paid off during the year, leaving £105,600 still due. Other outstanding notes, amounting to £2,400, have been discharged. The net sum borrowed is thus £3,850,000.

“13. A Local Debenture Loan of £45,020 was raised for the Cawnpore-Farakhabad Light Railway at 4 per cent. interest with share of profits.

“A Local Debenture Loan of £50,000 was offered at Nagpúr in November at par at 4½ per cent. interest, with half the percentage of surplus profits on the Nagpúr-Ráipúr Railway. The subscriptions amounted to £42,700, of which £17,300 is payable this year and £25,400 next year.

“The Secretary of State received £2,000,000 without interest from Her Majesty's Imperial Government under the Indian Advance Act, 1879: but on the other hand he repaid sterling debt amounting to £736,200.

“14. Thus the net debt incurred amounted to £5,131,000, or, excluding the loan from Her Majesty's Government, £3,131,000. Including railway capital transactions, savings bank deposits, service funds, loans to native states, &c., and the repayment of such loans, the net amount borrowed in 1879-80 was, apart from the £2,000,000 advanced as aforesaid under the Indian Advance Act, £3,523,000.

“The equation of the year 1879-80 may accordingly be stated thus—

Borrowed ...	£ 5,523,000	Net expenditure ...	£ 3,581,000
Net other receipts ...	145,000	Balances decreased ...	2,090,000
	<u>5,671,000</u>		<u>5,671,000</u>

“15. The price of public securities has risen rapidly during the year. The price of 4½ per cent. paper has for some time been more than 101, and that of 4 per cents. now exceeds 94.

“16. I come now to the Budget Estimates for the coming year 1880-81.

“The revenues are estimated at £66,746,000. The ordinary expenditure is estimated at £66,329,000; we expect therefore a surplus of £417,000.

“17. The estimated expenditure includes excess military charges, amounting to £4,360,000, of which £2,090,000 is for military operations proper, and £2,270,000 for the frontier railways; against this, there will be a set-off on account of improvement in the Railway and Telegraph revenues, estimated to £300,000, leaving the net charge for the war on the estimates of 1880-81 at £4,060,000.

“ But for the war expenditure, the true surplus of the year, to compare, as before, with the standard surplus of £2,000,000, would not have been less than £4,000,000.

“ The estimated revenue includes £982,000 obtained from the taxes imposed in 1877 and 1878, to enable the Government to meet its famine obligations.

“ 18. The estimates for 1880-81 thus show an extraordinarily satisfactory result, far surpassing the standard at which two years ago the Government of India aimed. The result is the more satisfactory, because the total estimated expenditure on the productive public works of a doubtful character, to which I have before referred, is only £398,000.

“ 19. I will notice a few only of the heads in which the Budget Estimate differs from the Regular Estimate of the present year.

“ 20. *Assessed Taxes and Customs* show a decrease of revenue, to which I shall refer later on. I may, however, notice here that, in February 1879, the Hon'ble Mr. Hope and Mr. J. D. Maclean were appointed Commissioners to report *inter alia* whether it was desirable to revise the tariff valuations yearly, and, if so, how such revision should be made. The Commissioners recommended a yearly revision of the tariff values, and advised that the materials for such revision should be systematically collected throughout the year at the ports of Calcutta, Bombay, Madras, Rangoon, and Kurrachee, and collated in Calcutta, in February of each year, by a Committee of three persons to be appointed by the Government of India, one of them being *ex-officio* the Collector of Customs at Calcutta. The first Committee of revision was accordingly appointed in January last; the Hon'ble Mr. Hope, and, on the nomination of the Bengal Chamber of Commerce, Mr. J. W. O'Keefe, a member of the firm of Messrs. Kettlewell, Bullen, and Company, consented to serve upon it, with Mr. J. D. Maclean, Collector of Customs, Calcutta. The Committee has just completed its revision, which is estimated to produce an increase of £15,000 to the Customs revenue.

“ 21. *Salt* shows an increase, of which also I shall speak separately.

“ 22. The net revenue from *Opium* is estimated at £7,250,000; this estimate, although £1,150,000 less than the amount we expect to receive in 1879-80, is largely in excess of any estimate made in any previous year. Although the actual net revenue of the last two years has been more, it is not thought prudent to take the estimate for the coming year at a larger amount than that which I have stated.

"The Bengal crop of 1878-79 yielded 29,876 chests 75 % consistence and 20,175 chests 70 % consistence. Thus the stock in hand on the 1st January 1880 was 38,179 chests 75 % consistence, and 43,404 chests 70 % consistence, total 81,583 chests. The provision for sale during 1880 is 28,200 chests of each consistence, so that the reserve on the 1st January 1881 will be 9,979 chests 75 % consistence, and 15,204 chests 70 % consistence, total 25,183 chests.

"23. Under *Telegraphs* we estimate for the first time that the revenue will exceed the expenditure.

"24. *Railways*.—Net revenue £794,000, of which £250,000 is attributed to the military operations in Afghanistan. Improvement £1,080,000.

"Of this large amount, £263,337 is nominal, owing to only three-quarters of the East Indian Railway annuity falling due in the financial year 1880-81, against which, however, may be set a payment of £235,000 due to the Company under the old contract for the second half of 1879. The purchase of the East Indian Railway is expected, upon the estimates of 1880-81, to produce a net revenue of £300,000 in excess of what it would have yielded under the old system. The guaranteed Railways will, it is hoped, in the prosperous season which we anticipate, yield £405,000 more than this year.

"From the State Railways an improvement of £231,000 is expected from increased mileage open and from development of traffic.

"There is no doubt always an element of speculation in the estimates of Railway revenues; but an increasing return may fairly be expected from the constantly increasing capital expenditure on the construction of these works, which by the end of 1880-81 will amount to £130,000,000, or 144 crores of rupees.

"The chief event of the year is the purchase of the East Indian Railway for the State with effect from the 1st January 1880. The price paid was £37,200,000. I need not repeat the details of the new arrangements under which the line has been purchased, and under which it is to be worked.

"On the expenditure side of the account an improvement is expected of £242,000 under *Interest*; this partly arises from the proposed conversion of the 5 per cent. sterling loan, and is partly nominal.

"25. Under *Administration* there is a decrease of £30,000, in consequence of various reductions in Imperial Establishments.

“ 26. The grants for 1880-81 for *Ordinary Public Works* are less than those for 1879-80 by £597,000; the grants for *Productive Public Works* have been reduced by £1,000,000. There is thus a total gross reduction in Public Works expenditure of £1,597,000, of which the saving in establishments is estimated at £247,000. Against this, however, must be set the special grant of £230,000 under *Railways* on the Jhelum and Rawal Pindi line.

“ The reduction in the ordinary expenditure on Public Works, apart from establishments, is more apparent than real; for the actual expenditure in past years has never exceeded the amount granted for 1880-81. I shall again refer to the question of expenditure on Public Works.

“ 27. I have already spoken of the *Army* expenditure. Apart from the war, the estimate stands at £15,330,000. According to our present accounts and estimates, the net cost of the war from 1878-79 to the end of 1880-81 will be about $9\frac{1}{2}$ millions, of which about $3\frac{3}{4}$ millions is for the railways, and $5\frac{1}{2}$ millions for military operations. The estimates of the cost of the war must of course be to a great extent speculative; but they have been prepared with much care; and their accuracy up to the present time is highly creditable to Major Newmarch and the Military Department. There is no reason to suppose that they err on the side of being too low.

“ To what extent it will be found hereafter that stores, chiefly camp equipage, have been expended and wasted and lost, we cannot possibly know accurately until the war is over; but every thing bought for the war is included in the estimates, and the reserves in our arsenals are being maintained at their proper standard, the cost being charged; for the present, as current expenditure.

“ 28. Our estimates show under *Loss by Exchange* a net loss of £3,174,000, being an increase on the regular estimate for the present year of £310,000; in 1880-81 it is proposed to remit £16,900,000; the expenditure of the Home Treasury will be largely increased by the payments for stores for the frontier railways. We assume that the average rate of exchange will be the same as that of the present year, or 1s. 8d.

“ 29. The rate of exchange for the adjustment of the public accounts between the English Treasury and India has been fixed at 1s. $8\frac{1}{2}$ d.

“30. *Productive Public Works (Capital expenditure)*.—Grant £3,312,000. Decrease £388,000. The grant is thus distributed :—

	£
Irrigation and Navigation	630,000
Madras Harbour (besides £50,000 granted under 34, <i>Other Public Works</i>)	70,000
East Indian Railway	630,000
Other State Railways	1,982,000
TOTAL	<u>3,312,000</u>

“This grant is made in strict accordance with the conditions prescribed by the Secretary of State as follows :—

	£
Fixed grant	2,500,000
Saving in 1879-80 re-granted	182,000
Capital expenditure on the East Indian Railway	630,000
TOTAL	<u>3,312,000</u>

“It is hoped that 988 miles of railway will be opened for traffic in 1880-81. This will complete the communication between Bombay and the North-Western Provinces through Rajputana. Good progress will be made towards the completion of railways and works of irrigation already begun, but the funds at our disposal for productive works are now so small that we cannot commence in the coming year any new works of magnitude. In Madras the chief outlay on irrigation works will be in the Godaveri Delta. In Bombay and Bengal the sanctioned works will be nearly all completed. In the North-Western Provinces the principal work will be on the Lower Ganges Canal. In the Punjab the weir at the head of the Sirhind Canal and the remaining large masonry works will be nearly finished ; the new main line of the Western Jumna Canal will probably be opened, and the new Delhi branch will be well advanced.

“It is hoped that the Madras Harbour works will be finished in 1880-81. It was not possible to grant on this account more than £70,000 under the head of *Productive Public Works*, but the completion of the work being very important, this amount has been supplemented by a grant of £50,000 under the ordinary head.

“31. *Revenue and Working expenses, Public Works*.—Net revenue £318,000. The improvement is under Railways.

“32. I now come to the important subject of the provision of the Ways and Means for the service of the ensuing year.

“33. In this respect the responsibility of the Government of India is confined chiefly to the requirements of the public service in India. Its direct concern with the provision of Ways and Means to meet the demands of the Home Treasury is limited to the remittance of the amount for which the Secretary of State intimates his intention of drawing bills during the year. The Secretary of State has resolved to raise, in this way, during 1880-81, the sum of £16,900,000. Owing to the heavy estimated expenditure at home for the frontier railways (£360,000 in 1879-80, and £1,070,000 in 1880-81), this large sum will not much exceed the current requirements of the Home Treasury. The Secretary of State could not therefore frame his requisition upon us for less than £16,900,000; but he has authorised the Government of India to state that his drawings may be reduced if the demand for his bills upon India proves insufficient.

“34. According to present prospects, the balances in the treasuries in India on the 31st March 1880 are expected to amount to Rs. 14,19,00,000. The surplus of Imperial revenue in India during 1880-81 is estimated at Rs. 12,88,68,000, or, deducting from the expenditure the loss by exchange on the Secretary of State's bills, Rs. 16,26,68,000. We expect to receive in India the sum of Rs. 1,01,38,000 for remittance to England, and, in the shape of Savings Banks and Service Funds Deposits and recoveries of Railway Capital, Rs. 56,15,000. Besides the Secretary of State's bills, provision must be made for the estimated deficit in the Provincial and Local revenues of Rs. 11,60,000 and for the net disbursement of Rs. 19,50,000 on the Remittance and Deposit Accounts. Thus, including Rs. 20,28,00,000 for the Secretary of State's bills, we have to contemplate a liability of net Rs. 20,59,10,000, against which we have net assets amounting to Rs. 17,84,21,000, showing a deficiency of Rs. 2,74,89,000.

“35. The Government of India has had to consider whether the whole or any part of this sum should be provided from the balances, or whether it shall raise the whole or any part of it by a loan. After due deliberation we have resolved to adopt the former alternative, and to endeavour to meet all the expected demands in India, during the coming year, without recourse to the money market for a loan.

“36. In consequence of this resolution the balances in the treasuries in India on the 31st March 1881 are expected to fall somewhat below 11½ crores of rupees, a sum considerably less than the minimum sum which the Government of India usually estimates.

“37. The estimates of the Home remittance and Loan Transactions are habitually presented with expressed reserve; and this reserve must be understood to be this year greater than usual. But while thus emphatically reserving to ourselves the freest discretion to raise, during the year, any loan which actual events may render necessary, we consider the prospects of our being able to dispense with a loan during the year sufficiently substantial to make it unnecessary for us to enter any loan upon the estimates. We shall not in any case hesitate to raise any small Local Debenture Loans which may seem expedient during the year.

“38. The year 1878-79 was one of restricted and depressed trade as compared with the trade of the year immediately preceding it, though the value of the merchandise imported and exported (excluding gold and silver) was hardly below the average of the four years ending with 1877-78. When it is considered that famine still afflicted extensive provinces, that the war with Afghanistan was in progress, interfering with ordinary traffic on railway lines, causing a scarcity of carriage, and increasing the effects of drought and floods on the prices of food, and that trade generally in Europe and America was passing through a prolonged period of depression, it is a matter for congratulation that the industry of the country was able to bear up so well against adverse influences.

“The value of the exports of raw cotton, oilseeds, hides and skins, indigo, silk, wheat, saltpetre, lac, teakwood, and sugar, exhibited a sensible decline, most strongly marked in cotton, seeds, indigo, wheat, and sugar. The fall in cotton followed on a continuous decline of some years; the crops of seeds failed extensively, and at the same time the European and American demand for them fell off; the wheat trade was for the time almost annihilated, the low range of prices and enormous supplies from America forbidding the competition of Indian wheat; and sugar, after a large trade in the two previous years, suffered from the increase of prices caused by exhaustion of stocks and a failure of the sugarcane crop in the North-Western Provinces. Large quantities in excess of the imports of the previous year were imported to supply the deficiency.

“But while the trade in these articles diminished, owing to what we may hope were in most cases temporary causes, the exports of cotton twist and piece goods, rice, jute and jute manufactures, tea, coffee, and wool, afforded indications of prosperity in some of our chief staples.

“The value of the cotton manufactures imported was smaller than it had been for many years. Metals, railway materials, liquors, coal, and apparel all declined, and there was an increase in silk, sugar, provisions, woollen goods, machinery, and spices.

“The net imports of silver were nearly £10½ millions less than those of 1877-78, and gold was sent out of the country to the value of nearly £900,000.

“The trade of the ten months of the current year for which figures are available shows a marked recovery from the depression of 1878-79, a recovery which, with abundant harvests, a decline in the prices of food stuffs, and renewed vitality in European and American trade, may reasonably be expected to continue.

“Even raw cotton has shared in the recovery, both quantities and values having, for the first time for years, increased instead of diminished. Twist, rice, jute, hides and skins, tea, indigo, wheat, and saltpetre, have all increased, in some cases remarkably. The recovery of the rice trade, with the fall of prices and the reduced demand for consumption in India, is very satisfactory. So also is the increase in the trade in tea, although it is said that the planting interest has not been a gainer by the increased exports.

“The imports of merchandise also, like the exports, are much larger than in 1878-79. A large and active trade is being done in cotton goods, in the development of which there is reason to believe that the remission of duty on the coarser kinds of grey goods has aided. On the whole, the prospects of trade are satisfactory.

“39. I have now, my Lord, stated the general facts and figures for the past and present years, and for the year that is about to commence. The result must be considered highly satisfactory. The aggregate actual and estimated surpluses of the three years amount to £2,580,000. Let it be remembered that this will be arrived at after spending, out of our ordinary revenue, 5½ millions on the war, 3½ millions on frontier railways, and £400,000 on famine relief; let it be remembered that the amount charged in these three years under the head *Loss by Exchange* has been nearly 10 millions; let it also be remembered that we have given up £340,000 from the License tax; £150,000 from Salt; £150,000 from the Inland sugar duties; £300,000 on cotton goods, and a multitude of other articles; and that the sum raised by taxation is thus less than the sum raised at the beginning of 1878, by more than £900,000.

“40. I shall now, My Lord, proceed to notice some of the more important questions of policy which the Government has had to consider. And first I may refer to that question which, at the present time, chiefly occupies our thoughts, the war in Afghanistan.

“My Lord, I do not now propose to discuss the reasons which led the Government to undertake this war. The discussion by me of such questions on the present occasion would be irrelevant to the matter before me. Whether the war has been just and necessary, or iniquitous and foolish, it has now to be carried on and paid for, and my present duty is confined to showing how the Government proposes to meet the obligations which, whether rightly or wrongly incurred, cannot now be avoided.

“41. There is, however, one question to which I must refer. It has been maintained by many persons that England, and not India, ought to bear the cost of the war in Afghanistan. I must explain why I consider this opinion incorrect.

“Circumstances may be imagined under which it would be just that England should bear the whole cost of military operations carried on by the Government of India, even though the finances of India might be so prosperous that they could without difficulty dispense with such assistance. It is conceivable that a war might be undertaken for the maintenance or defence of purely English interests, real or imaginary does not matter, and that India might be called upon by England to co-operate in such a war, although no Indian interests could be possibly served by it. In such a case the liability of England could not justly be denied.

“It will be said by those who are opposed to the policy which the Government has followed, that the war in Afghanistan falls precisely within this category, and that this war has been entered upon in defence of no Indian interest whatever, but in furtherance of the so-called Imperial policy adopted by Her Majesty's Government. Persons who hold this opinion may reasonably object to throwing any part of the cost of this war upon India; but this is not the opinion of the Government.

“42. Her Majesty's Government, and the Government of India, and, I will make bold to say, the intelligent loyalty of the people of India itself, hold that the war in Afghanistan was undertaken for the protection of India from the menaces of foreign aggression, and for the maintenance within her borders of permanent domestic tranquillity. The Government believed that this war could not be avoided, unless we were prepared to acquiesce in the establishment on our North-West Frontier of new conditions, which would infallibly lead to a

great increase of military expenditure, to intolerable financial burdens and difficulties, and to the disturbance throughout India of the very foundations of our power. Great as is the interest of England in preventing such consequences, the questions at issue were primarily and essentially Indian questions.

“Believing that the true interests of India are indissolubly bound up with the peaceful maintenance of our own dominion, we say that this war was undertaken with the conviction that justice to India herself rendered it unavoidable. If it be right to expend the revenues of India in maintaining the armies by which British supremacy is ordinarily secured, in giving to her internal peace and good administration, in the development of her wealth and civilization, and on the thousand other beneficial objects which we desire to promote, it is right to spend those revenues in rendering it impossible that any hostile influence should grow up on her borders, to threaten the existence of everything which the duty of England to India makes us most desirous to develop.

“43. I can imagine few greater misfortunes to India than the loss of her financial independence, and the acceptance by England of financial responsibility for her Indian Empire. It would signify to India the loss of control over her own affairs in every department of her administration, the possible subordination of her interests to those of a foreign country, and the substitution of ignorance for knowledge in her Government. Although some rare instances may be quoted in which, when there seemed to be a conflict between English and Indian interests, it may perhaps be doubted whether India has been treated with perfect fairness, there can be no question that, on the whole, the government of India has been carried on with as honest and thorough a regard for Indian interests as if India had a separate national existence of her own. England may rightly be proud of the way in which she has treated her great dependency. These fortunate results have, however, been due not only to her justice, but also to the wisdom with which she has left to India a separate financial responsibility. England has felt that it would be no kindness to take upon herself burdens which India now bears, to guarantee Indian debts, pay for Indian wars, and relieve Indian famines. England has also felt that it was wise, in her own true interest, to refuse to take into her own hands the control of the £67,000,000 which now constitutes the revenue of India. England does not choose that there should be grounds for even a suspicion in regard to the purity of her motives. I say this in the belief that India has before her a future of increasing wealth and prosperity; but if this anticipation should not be verified, and her future should be one of financial embarrassment, the loss of her financial independence would bring with it other mis-

fortunes. I trust that the people of England may never find cause for believing that the maintenance of their Indian Empire means the imposition of heavy burdens on themselves.

“44. If, My Lord, India is ever to have a separate national existence, she must have self-respect and self-reliance, and I am sure that Indian patriots, who, with perfect loyalty to British rule, may nevertheless have, as they may rightly have, visions and aspirations of a distant future of another kind, ought to be the first to declare that their magnificent country shall bear its own burdens. India expects justice from England, but does not ask for charity. She feels that, with her ample and splendid resources, her two hundred millions of people, her revenue, which is surpassed by that of two only of the greatest European nations, - she is a source of strength; not of weakness, to the British Empire. Whether we look to the extent of her territory, or to the numbers and character of her population, her military strength and capabilities, her public revenue and credit, India is one of the great powers of the world, ready at all times to stand side by side with England, and to fulfil every obligation which she owes to the common interest. If England be wise, she will not suffer either her own people, or her friends, and still less will she suffer her enemies, to be ignorant of the fact that her Indian Empire possesses almost inexhaustible resources. I repudiate, as unworthy of India and of England, the notion that India requires help to protect herself against the hostility of an Afghan Chieftain, encouraged though he may have been by a great power beyond. Nor does the fact that English as well as Indian interests are at stake, afford any reason for asking England to help us with her money. Everything which conduces to the safety and prosperity and progress of India, is a matter of concern to England; but there is no more reason that England should help us to pay for a local war, necessary for the protection of the interests of India, than that she should help us in the relief of our finances, or in meeting the ordinary charges of our administration.

“45. Holding, my Lord, these views, it was, I confess, with some regret that I saw India, a year ago, accepting from England even the small amount of assistance which was given to us in the shape of a loan of £2,000,000, to be repaid without interest in seven years. But the circumstances of the time were peculiar. India had been suffering from a succession of famines and other unavoidable misfortunes, which had thrown enormous burdens on her finances, and there was a strong feeling in England, shared by men of all classes and parties, that, when the new calamity of war was added to the calamities which had gone before, England should help India in her difficulties. Although the course prompted by this generous feeling may not have been

politically wise, its motives were so honourable to the people of England that I cannot cavil at it.

“46. But, whatever may be thought of the action taken in the past, when we were in a position of temporary embarrassment, no reasons exist at the present time for asking England to help us to meet the charges of the war. The figures which I have stated to the Council show that we have in our possession ample means of defraying all expenditure which it is likely we shall have to incur. We have obtained these means not only without the imposition of fresh burdens on the people, but at a time when we are relieving important industries, and freeing from taxation a vast number of persons, who, if not actually, are still relatively poor. To say that when we are reducing the pressure of taxation, when the general condition of the people of India is one of great prosperity, when every branch of our revenue is flourishing, and when we have actually got all the money that we want, we ought nevertheless to ask England to tax herself, and relieve us from a burden which we are perfectly able to bear, does not seem to me reasonable.

“47. But it will be said that, even if India must bear the cost of the Afghan war, and must pay for the frontier railways, the construction of which the war has made inevitable, all these charges ought not to be thrown on the present generation of tax-payers; that this expenditure is undertaken for the future, rather than for the present protection of India; that posterity should pay its share of burdens imposed for its benefit; and that these charges should be met by loans, not out of the income of the year.

“The question thus raised is an old one; but I think I may be allowed, without disrespect to those who think differently, to say that, in England at least, statesmen of all parties have agreed about the principles on which such questions are to be decided. Those principles are, that, especially in a country with a heavy public debt, and not able to reckon confidently on a large and constantly recurring surplus, by means of which new debt can certainly and speedily be cleared off, the wise course is undoubtedly to provide for war expenditure out of the revenue of the year, so far, but so far only, as this is possible without throwing excessive burdens on the taxpayers, and overloading (to use Sir Stafford Northcote's words) the springs of industry and commerce; and that, if the expenditure cannot thus be covered, the deficiency may properly be made good by loans or other temporary resources not included within the regular revenue of the year. This is the doctrine which I understand to be held by that great authority in matters of finance, Mr. Gladstone, and I have partly stated it in his own words, although at one time he went fur-

ther in his advocacy of meeting such expenditure without recourse to loans. In India there may undoubtedly be special reasons for charging heavy war expenditure against loans, in preference to placing new burdens on the country. Not only is it difficult to make a very large and sudden addition to our existing taxation, but it may be politically unwise to do so. There would therefore be no cause for surprise if, in the case of having to meet a large expenditure on war, we were unable to contribute from current revenue as large a proportion of the cost as in England would be thought right. Nevertheless, the general principle is as true in India as in England,—that, to the utmost of our ability, we ought to provide for the expenses of every year out of the year's income, and to allow no borrowing that is not really unavoidable. As the late Prince Consort, contrasting these two plans of meeting war charges, observed:—"The former course is manly, statesmanlike, honest; the latter is convenient, cowardly, perhaps popular."

"48. For the reasons which I have given, it is improbable that the Government would, if our finances had been less prosperous, have thought it right to propose the imposition of fresh taxation to meet the expenses of the present war; but it is fortunate that no such question now arises. We can carry out the wise principles which I have quoted, not only without any fresh demand upon the resources of the country, but while we are giving relief from present taxation. I can hardly conceive that it can seriously be maintained that, having in our possession all the money that we are likely to require for the prosecution of the war, we should not spend it on that object, that we should abandon existing income, and then borrow to supply the loss.

"49. The reasons for which it is right to provide for the charges of the war out of current income apply equally, and indeed with greater force, to the charges for the frontier railways. Although they will permanently benefit the country, it is plain that we could not construct them with borrowed money on the grounds on which we borrow for productive public works, and that their cost must be included among our ordinary charges. If, however, we could not have paid for them out of our ordinary revenue, it would have been quite right to borrow for their construction. I should have said this because the works are absolutely necessary, and because the political and financial evils of borrowing would be less serious than those involved by fresh taxation. I should not have defended borrowing for these railways on the ground that they will benefit posterity as well as the present generation. That is a matter about which I know nothing; but I know that posterity will have quite enough to do in bearing its own burdens.

“ 50. I may add, with reference to these railways, that the urgent necessity for pushing on their construction is not likely to be denied even by those who have opposed the policy under which the war in Afghanistan was undertaken. The estimates show a probable expenditure on this account of £1,440,000 in the present year, and of £2,270,000 next year. The Council is aware of the great and unprecedented speed with which the Railway from the Indus to the foot of the Biluchistan hills, on the line towards Kandahar, has been pushed on. The extension of the Punjab Northern Railway from Jhelam to Rawalpindi and Peshawar, and to Khushalgarh, is making rapid progress. In less than four months from the commencement of operations, trains were running for 140 miles towards Kandahar; while on the Peshawar line, where the rails have to be carried over viaducts 100 feet high and through cuttings of rocks 60 feet deep, the engines are expected to reach the banks of the Indus before the end of 1880. Independently of military considerations, which possess, of course, at the present time, extreme importance, the completion of these lines, within the shortest practicable time, has become very urgent. As the Government of India has written on this subject, “it is obvious that immediate outlay upon the early and effectual improvement of our means of transport would be amply repaid by reduction in the excessive, and, to a great extent, wasteful expenditure which must otherwise be prolonged throughout the course of our present military operations, with the certainty of its recurrence on the first occasion of their renewal. The financial and economical interests affected by the inadequacy of our present Frontier communications are far-reaching, and the injury they sustain can scarcely be exaggerated.”

“ 51. I have now, my Lord, to state to the Council the course which the Government proposes to take in regard to the Bill for amending the License Acts. It will be remembered that, when this measure last came before us, I announced, on behalf of the Government, that it was not proposed to take any further steps in the matter, until after the publication of the Financial Statement.

“The changes proposed in the existing law, when the Bill was introduced in November last, would, if they had been adopted, have had no appreciable effect upon the revenues, the amount surrendered by the exemption from taxation of the lower classes of traders being just made good by the extension of taxation to the official and professional classes. The effect of the further modifications subsequently proposed, and of the additional exemptions in favour of the poorer traders, would have been a loss on the one hand of £340,000 a year, and a gain on the other hand of £240,000, thus leaving us, as the general result, with £100,000 less revenue than we get now. The measure was essen-

tially one which had for its object the equitable re-adjustment of taxation, and it had no financial importance.

“52. Before going further, I wish to ask the Council to recall the circumstances under which fresh taxation was imposed two years ago.

“The object of the new taxes was described in the preamble of the License Act passed by this Council; and nearly the same words were used in the other similar Acts passed for the various provinces of the Empire. It was stated that—
‘in order to provide means for defraying the public expenditure from time to time incurred, and to be incurred, for the relief and prevention of famine in British India, it is necessary to effect a permanent increase of the revenue.’

“In making this quotation, I do not attach any exaggerated importance to the declaration that these taxes were intended to give a ‘permanent increase’ to the revenues. It is, of course, competent to the Legislature to alter its policy in regard to this, as to any other matter. The declaration, nevertheless, has this value, that it shows the intention of the Legislature, when these measures were enacted two years ago; and since the object for which they were enacted—the protection of the country against famine—is undoubtedly as important now as it was then, and as earnestly desired by the Government, it is reasonable to say that very good cause ought to be shown, before we consent to give up taxes avowedly imposed to make a ‘permanent increase’ to the revenues.

“53. I may remind the Council what this increase really was. Taking together the measures adopted in the two years 1877 and 1878, the first new taxation was the Public Works cess, imposed on the land in Bengal: this yielded in 1878-79 £355,590. In 1878, new cesses were also imposed on the land in the North-Western Provinces, Oudh, the Punjab, and the Central Provinces, yielding about £170,000. The total amount of new taxation on the land was therefore about £525,000; the actual receipts during the last two years have, however, not been so large, because it was thought right to postpone for a time the collection of the cess in parts of Northern India which had suffered from drought. Similar taxation was not imposed on the land in Madras and Bombay: the principal reason for this exemption was, that the salt duties had just been increased in those presidencies, and it was held to be inexpedient to impose cesses on the land at a time when the effects of the famine were still being felt, and when the salt duties were being increased. A license-tax on traders was first imposed in 1877 in the North-Western Provinces, and, in the following year, the present License Acts were applied throughout India. They yielded, at their maximum, about £820,000 net.

“The total amount of what has been called the Famine Insurance taxation was therefore about £1,345,000.

“54. Considering that precisely the same reasons were given by the Government, and accepted by the Legislature, for imposing fresh taxation on the trading and on the agricultural classes, with the object of protecting the country against the financial consequences of famine, and that special stress was laid upon our desire to make the burden fall with approximate equality on each of these classes, it would be difficult, for the present Government at least, to accept any proposition for treating them differently now. In fact, it would be hardly possible to maintain the cesses on the land, if the tax on trades were abolished. It might be more possible to defend the abolition of the cesses on the land and the maintenance of the tax on trades. But it is needless to discuss such questions. Practically, so far as we are now concerned, these taxes on the agricultural and trading classes stand on the same basis.

“I need hardly say, after what has been said on former occasions, that the Government can entertain no idea of giving these taxes up, and of sacrificing a million a year of revenue. Even if these taxes were as bad as some think them, a time like the present, when we have to meet the heavy obligations entailed by a serious war, would not be opportune for abandoning them; still less could such a course be approved by those who believe with me, that these taxes are far less objectionable than others that could be named, and that when the time comes for remitting taxes, it is not with these that we ought to begin.

“55. At the same time, the Government desires to make all practicable improvements in the assessment and the administration of the License Acts. It was this desire which led the Government to the conclusion, explained by me to the Council, when the Bill for amending those Acts last came forward, that it was desirable to exempt from liability all persons whose annual earnings are less than Rs. 500 a year. As I formerly said, we expect by this change to exempt from taxation about a million and three quarters of the smaller traders, and to lose £340,000. The Government still adheres to these conclusions.

“56. Although, when this Bill was last before the Council, I was able to state that there had been great improvement in the financial position of the Government, I did not then venture to anticipate that the improvement would, when we came to make our estimates for next year, be so considerable as it is now shown to be. It has necessarily obliged the Government to reconsider the question of the propriety of extending taxation to the official and professional classes, and thus making good the greater part of the loss incurred by the exemption of the smaller traders from the License Acts.

“ Although the main object of the Government in this part of its proposals was a more equitable adjustment of taxation, we felt that it was hardly prudent to give up £340,000 of income without any compensation, and this was one of the reasons assigned for the proposal to tax the officials and professional men. The Government has now had to consider this question:— admitting—as we must do, in the present state of the finances—that we do not absolutely require the £240,000 which the contemplated taxation of these classes would yield, is it now desirable to impose it merely for the purpose of making our system of taxation more theoretically equal, and removing to some extent the reproach, which undoubtedly is true, that certain classes do not at present bear their full share of the public burdens ?

“ If it had now been possible to attempt the removal of the numerous inequalities and anomalies which are inseparable from any such partial system of taxation as that which now exists, this would have been an object of high importance; but the mere extension of taxation to the official and professional classes would clearly be no complete solution of such a problem, although it might be a step towards it. On the whole, the Government thinks it better, for the present at any rate, not to press this part of its proposals. We have given up £340,000 from our existing taxes, and we do not ask that any fresh taxation shall be imposed. The amendment of the present law is desirable to carry out the exemption of the lower classes of traders, and for the removal of one or two difficulties which I shall explain later on; but with these exceptions no change is proposed in the License Acts now in force.

“ 57. I do not intend, My Lord, on this occasion to discuss afresh the vexed question of the Famine Insurance Fund or Surplus. There has been much misunderstanding between the Government and some of its critics as to what was said and as to what, though unsaid, we are presumed to have meant when the taxes to which I have referred were first imposed in 1877 and 1878: for this misunderstanding, so far as it has been due to want of precision in the explanations of our policy, I am prepared to accept my full share of responsibility, but for my part, I do not intend to refer to it again. I shall only say further that there has been, in regard to this matter, no change in the financial policy of the Government, nor is any change proposed now. In the following remarks, I shall endeavour to avoid controversy, and to refer only to actions and to facts which, whatever their motives and origin, can hardly be misconstrued.

“ 58. When the serious character of the financial obligations of the State in times of famine had been recognized, it became the duty of the Government of

India to make sure that the public resources were adequate to meet the fresh strain imposed upon them. Upon careful inquiry we came to the conclusion that we must contemplate a liability from famine amounting, in loss of revenue and actual expenditure, to, on an average, £15,000,000 in ten years. It was clear that this liability must be included among our ordinary obligations, and that it would have been a fatal error to go on increasing the public debt to meet charges which must periodically occur. To enable us to discharge the liability thus estimated, we determined to aim constantly at a surplus of £1,500,000, supplemented by a further surplus of £500,000 to provide for extraordinary and abnormal demands other than famine, as, for example, to name the most serious of such demands, for war.

“This standard surplus of £2,000,000 was to be ascertained on a comparison of the revenues with the expenditure, exclusive of :—First, Productive Public Works, which, to whatever extent might be necessary, it was assumed might be provided for by loan ; Secondly, Famine Relief, and loss of revenue due to famine ; Thirdly, Protective works, *i. e.*, works not strictly fulfilling the definition of Productive Public Works, but constructed specially for the protection of the country against famine ; and Fourthly, Abnormal expenditure, other than for famine, as, for example, on war.

“I do not stay to inquire afresh how far the standard thus adopted was adequate to the object in view, namely, the solvency of the State, although I believe it to have been so ; I only recite facts.

“59. In order to secure this standard average surplus of £2,000,000, the Government next resolved that it was necessary to increase the revenues of the country. The occasion for such increase was the recognition of the increased obligations of the State in times of famine, and the measures of taxation adopted were framed in the belief that there were certain classes upon which this particular burden ought primarily to fall. As I have already explained, that taxation amounted originally to £1,345,000. It has now been reduced to £1,000,000.

“60. Whether the public accounts show surplus, equilibrium or deficit, it is indisputable that these taxes must prevent debt by the exact amount which they yield, and that, when famine occurs, our resources for meeting it will be increased by an amount exactly equal to the amount obtained from these taxes, with compound interest upon them. This part of the subject needs no further remarks.

FINANCIAL STATEMENT.

“ I have shown to-day that the precise burden borne by the country during these three years for this purpose has been or is estimated to be—

			£
in 1878-79	...	...	1,227,891
in 1879-80	...	...	1,184,000
in 1880-81	...	...	982,000
			<hr/>
			3,393,891
			<hr/>

“ The actual expenditure on famine relief has been or is estimated to be :—

			£
in 1878-79	...	...	313,420
in 1879-80	...	...	99,000
in 1880-81	...	...	5,000
			<hr/>
			417,420
			<hr/>

“ Therefore, the taxation thus levied in these three years, has enabled us to defray the expenditure on famine relief, and, moreover, to prevent debt to the amount of £2,976,471, with interest upon this sum. That this result has been achieved is self-evident, and, being independent of the surplus or deficit of the revenue as a whole, requires no further demonstration.

“ 61. I have perhaps already said enough upon the other part of this subject. The standard which we accepted was £2,000,000 revenue in excess of the expenditure on the ordinary account, excluding the expenditure upon famine, and other abnormal obligations. In my opinion this standard has been, in each of the three years of which I am speaking to-day, greatly surpassed.

“ It will doubtless be always right to scrutinise rigidly and jealously the validity of the grounds upon which any part of the public expenditure is excluded from the account upon which the surplus for comparison with our standard surplus of £2,000,000, is ascertained; but I believe that, if the accounts and estimates of the three years before us are subjected to the most severe criticism, it will be found that the actual and estimated surplus of revenue during this period does truly far exceed the £6,000,000 which, according to the standard which we have prescribed for ourselves, should be attained in three years, if the solvency of the State is to be ensured.

“ 62. I find an apt illustration of our policy in this matter, ready to my hand, which I quote the more willingly because it is, in other respects, of much

interest. According to present prospects, in the ten years ending with 1880-81 we shall have spent, all-told, including productive public works, war, and famine, £36,848,000 more than our whole revenue. The items included in this expenditure, which should be excluded before applying our standard, are—

	£
Productive Public Works*	... 35,881,000
War in Afghanistan ...	... 9,250,000
Famine ...	... 14,607,000
	<hr/>
TOTAL	... 59,738,000
	<hr/>

Our revenue will have exceeded the rest of our expenditure by £22,890,000; and, but for loss of revenue from famine, this surplus would have been £25,890,000, or, on an average, £2,589,000 a year.

“Thus, during these ten years, with an average surplus of £2,589,000 to compare with our standard of £2,000,000, we expect to have defrayed the whole cost of our famines and our wars, from our revenues, excepting only the trifling deficiency of £967,000. Considering the magnitude of our expenditure on famine and war during this period and the immense increase of charge under Loss by Exchange, this retrospect appears to me highly satisfactory.

“63. I wish I could say that our plans for the construction of works for the actual prevention and relief of famine had been as successful as our financial arrangements have been. And this brings me, My Lord, to another part of my subject.

“Financial safety was by no means our sole object. We felt not only that we had financially to provide the means of relieving famine when it occurred, but that the equally important duty devolved upon us of doing everything which it was possible for a Government to do, towards preventing these most terrible of all natural calamities, and furnishing the country with the machinery by which, when they occurred, the largest practicable amount of relief could be most speedily and effectually distributed. The new taxation and the other measures by which our finances were improved, would give us, we believed, the means of carrying out these objects with a certainty and rapidity which would otherwise have been difficult.

“The investment of our surplus in Productive Public Works was, from a merely financial point of view, in no sense essential to our scheme, and it will

* Including £11,076,000 spent on what I have called doubtful works.

be seen, from what has been said elsewhere, that this part of our plans was modified by the orders of the Secretary of State in a manner to which, on financial grounds, we could take no exception. But we certainly contemplated the extensive construction of works for the protection of the country against famine; and it was to these projects that public attention was mainly directed, and in them the public naturally and rightly felt a deeper interest than it could take in any merely financial arrangements.

“64. A nobler programme was, in my opinion, never put forth by any Government, than that put forth by Your Excellency; a more beneficial scheme was, in my judgment, never formed for the material improvement of any country, than the scheme which Your Excellency explained to this Council on the 27th December 1877, in your Minute of March 1878, and on other occasions, I desire to remind the Council and the public of what the plans of the Government of India were, and to explain why they have not been carried into effect as completely as we desired.

“65. I wish, My Lord, it were possible for me to read to the Council, and incorporate in this Financial Statement, Your Excellency’s speech of the 27th December 1877. As I cannot do this, but am anxious to place the whole case in the clearest light, I must ask Your Excellency’s permission to string together some passages from that speech, for I could not describe the programme of the Government in any words so good as those which Your Excellency used—

“The measures now before the Council have, for their principal object, the provision of that increase of the public income which experience has proved to be the first condition of any practical insurance against famine; and, therefore, it is only proper that the Council should know how we intend to employ the resources which its adoption of these measures will place at our disposal for that purpose. * *

“Of the countless suggestions made from time to time, and more especially during the present year, for rendering less bitterly ironical than it still seems, that famous inscription on the huge granary built at Patna, for ‘the perpetual prevention of famine in these provinces,’ there are only three which merit serious consideration. These are firstly, Emigration; secondly, Railways; and, thirdly, Irrigation Works. Unfortunately for India, the first of these three material factors in the practical solution of problems similar to those we are now dealing with, is inapplicable, or only very imperfectly applicable, to the actual conditions of this country; * * though emigration unquestionably claims our fostering encouragement, I fear that, for many years to come, we must practically exclude this expedient from the list of those on which we mainly rely as a means of insuring the population of India against the calamities of periodical famine. The conclusion thus arrived at forcibly confines our immediate efforts to the most rapid development, by the cheapest methods, combined with the most appro-

priate and efficient application, of the only two remaining instruments for increasing the produce of the soil, facilitating its circulation, and thereby improving the general social condition, and augmenting the collective wealth, of the whole community. Those instruments are railroads and irrigation works.

“ ‘ Now the incalculable value to India of her present railways has been unmistakeably demonstrated during the past year ; and the Government is unquestionably bound to stimulate the extension of this class of works to the greatest extent and with the greatest rapidity, consistent with the requirements of financial prudence.

“ ‘ * * It is an unquestionable fact, that the railways, and the railways alone, were the salvation of the situation in Northern Behar during the famine of 1874 ; and that they have again been the salvation of the situation in Madras during the famine of the present year.

“ ‘ * * Had there been no railway within reach of these districts, the people, where they have now died by hundreds, must have assuredly succumbed by thousands.

“ ‘ I am satisfied that the development of a network of subsidiary lines of railway, giving the means of transport through every district of British India, has become a matter of vital necessity for the attainment of the great object now before us. Our present object is to render available within the shortest possible time a maximum length of line, especially constructed for a slow goods traffic, rather than to provide those more ample conveniences for passengers and goods, which have commonly been deemed necessary for all Indian railways hitherto constructed. * * *

“ ‘ The early conclusion of such an undertaking must necessarily depend upon its financial practicability ; and, for this reason, all minor considerations must be subordinated to the most rigid economy in construction, and the most severe limitation of the works to what is indispensable for the efficient exercise of their special function. But, if these conditions be duly complied with, I have confidence that, at a comparatively early period, we shall, without any strain upon our financial resources, have extended to all parts and provinces of our empire the most efficacious protection, not indeed from dearth (for that is impossible), but from those terrible effects of dearth which now generally terminate in famine.

“ ‘ These, then, are the principles on which we are prepared to apply at once to the extension of our railway system, as a means of insurance against famine, an adequate proportion of the resources at our command for that purpose. * * *

“ ‘ We propose to apply to the extension of irrigation works precisely the same principle and policy. * *

“ ‘ I am not now speaking of what we ought to do, or would do, to ensure this country against the worst effects of future famine, had we only the means of doing it ; but of what we can do, and will do, with the means already provided for in the measures now before the Council. I do not mean to say that the construction of such an extensive system of local railroads and irrigation works as we propose to undertake, will not be the gradual task of many years. But I do mean to say that, in the manner and on the principles already explained, we are now providing for the prompt commencement, and uninterrupted continuation, of this

great and necessary task. We are systematising a policy, the principles of which have been repeatedly proclaimed and approved by our predecessors. We are associating with it the interests, the powers, and the duties of our local administrations. We are providing them with the means of permanently prosecuting and developing it, not without reference to our financial control, but exempt from the distressing uncertainty which has hitherto been inseparable from the practical execution of this policy, in consequence of the obligation, which has till now rested upon the Government of India, with the very limited funds at its disposal for the prosecution of public works, to choose, from year to year, between the conflicting claims upon its purse of the various and dissimilar localities of this spacious Empire.

“66. My Lord, I am convinced that the policy, which Your Excellency thus proclaimed your resolution to carry out, was not only wise and humane, because it provided the only possible means by which the Government could protect the country against the future calamities of famine, but that, financially, it was sound and prudent. Notwithstanding many mistakes which, in transactions of such magnitude, were inevitable, the policy by which, for many years past, we have been constructing railways and canals in India was, in my belief, sound and statesmanlike in its conception, and its practical results have been triumphantly successful. The wealth of the country, and the prosperity and happiness of its people, have been increased by it to an incalculable extent; the consequent gain to the country and the public finances has been immense, and is not to be measured by figures showing only the direct returns from the works which have been constructed. For my part, I see no drawbacks, no dangers, and no disadvantages, which deserve to be weighed for one moment against the benefits which have been derived. The Government of Your Excellency desired to extend and develop this policy, and hoped, by the construction of a network of cheap railways and of carefully planned works of irrigation, to do all that it was in the power of a Government to do, to prevent the frightful calamities of famine to which the country is now periodically exposed. We believed, and I believe still, that we could do this not only without financial risk, but with certain financial advantage.

“67. The Local Governments shared our convictions and our expectations. Sir Ashley Eden, the Lieutenant-Governor of Bengal, was prepared to undertake, from the resources already assigned to him, a system of railway communications which, without costing the imperial revenues a shilling, would, he believed, have added millions to the wealth of his great province. Sir George Couper sent us up a scheme, carefully prepared by my friend General Fraser, for constructing a complete system, some twelve or thirteen hundred miles in length, of light railways, which, in combination with works of irrigation, would have gone far, if not to make future famines in the North-Western Provinces

improbable, at least to render the relief of such famines a comparatively easy and a certainly successful operation.

“ 68. My Lord, these visions have for the present, but I hope only for the present, faded. The plans which Your Excellency described to the Council two years ago, and which I have repeated to-day, have not yet been carried out; we have had to defer the hope of protecting the country against famine by the rapid development of railways and works of irrigation; and not only this, but we have even been compelled largely to reduce the expenditure which, for many years past, we have been incurring on works of this description.

“ My Lord, I shall not call in question the sufficiency of the reasons which led Her Majesty's Government, and a Committee of the House of Commons, to think that a very large reduction should be made in the expenditure of the Government of India on Productive Public Works; nor is it necessary that I should now repeat those reasons, because they have been fully explained in the Report of the Committee, which was published during the last session of Parliament. Nor do I wish it to be supposed that I am insensible to the advantages which we derive from this temporary restriction of expenditure. It has enabled us to carry out in a way which might otherwise have been hardly practicable, important reforms in the Public Works Department, and to get rid of hugely overgrown establishments.

“ 69. The limit of £2,500,000 which has been placed on our annual expenditure on productive public works has avowedly no sort of finality. ‘The amount to be annually expended’ (I am quoting from the Report of the Committee of the House of Commons) ‘should mainly depend upon the financial condition of India, and should, therefore, for the present, be limited to an amount of £2,500,000, as recently fixed by the Secretary of State for India in Council.’ Considering what our financial condition already is, and what we hope it will be in the future, I predict with confidence that the check, which has been placed upon our expenditure on useful works essential to the progress of the country and to its protection against famine, will be only temporary, and that the execution of the plans described by Your Excellency two years ago has been only temporarily deferred. But at the same time I wish to make it clear that, if the Government of India has failed for the present fully to carry out its programme for the construction of material works for protecting the country against famine, no responsibility for that failure rests upon us. While I say this, I must again ask the Council to remember that, however much we may regret this disappointment, it in no way affects the financial efficacy of the measures taken to enable us to discharge

our obligations in times of famine without fear of insolvency. Nothing can prevent the success of those measures, which have been subjected to this modification only, that, owing to the improvement of our general financial position, we have ventured to dispense with about a quarter of the additional taxation (amounting at its maximum to £1,345,000 a year) which was their main feature.

“70. I may here notice, with regard to the policy of the construction of productive public works, that, although the correspondence on the subject between the Government of India and the Secretary of State is not concluded, it is understood that the following points have been settled for the present:—

- “i. That any money which it may be necessary to borrow for the construction of such works shall be borrowed in India in rupees, and not in London in sterling money.
- “ii. That not more than £2,500,000 a year, on an average, shall be thus borrowed, in addition, however, to any capital expended upon the East Indian Railway or any other undertaking which may be hereafter acquired by the State in like manner; in addition also to any money which may be lent to the Government of India by Native States for the construction of productive public works.
- “iii. That the yearly grant for the construction of productive public works shall not exceed £2,500,000 in addition to the capital expended upon the East Indian Railway or any undertaking similarly acquired hereafter, and to the expenditure upon any works the funds for the construction of which are lent to the Government of India by Native States.
- “iv. That the unexpended portion of the grant of the past year may be re-granted for expenditure in the following year. The object of this provision is to prevent the waste and inconvenience incident to the lapse of unspent grants for the construction of public works.

“As already explained, the grant for the construction of productive public works in 1880-81 has been regulated strictly by these principles.

“71. There are, My Lord, various questions connected with the customs tariff to which I must now refer.

“Beginning with the import duties, there is first the duty on cotton goods, and this is a subject of which I cannot speak without some reserve, because there has been in past times, as everybody knows, no unanimity of opinion regarding it among the members of the Government. Speaking, as I now am, on behalf of the Government generally, I desire to say nothing to which any of my colleagues might take exception, and, although it will not be possible for me altogether to avoid the expression of my own opinions on questions of

past and future policy, I hope it will be understood that I shall, in giving such opinions, be stating only what I myself think.

“The Government does not at present propose to make any alteration in the duties actually levied on cotton goods. There are, however, obvious and serious defects in the existing system, and no one can say that it can long be maintained.

“72. The measures taken during the last two years, whatever other results may have followed, have at least effected the particular object for which they were declared necessary. They have, for the present, removed all grounds for the complaint, that we were levying protective duties in favour of the Indian mills in their competition with English manufacturers. Some classes of English goods may be unduly favoured in comparison with other classes of English goods; but no protection remains for the special benefit of goods produced in India.

“When, last year, Your Excellency decided that it was impossible to defend the maintenance of the duty on certain classes of cotton goods, because it had a distinctly protective character, it was thought right to make a considerable sacrifice of revenue for its immediate removal. Whether the course adopted was right, as I then thought and think still, or whether it was wrong, is a question which I will not now discuss, but the Government feels that it cannot at the present moment go further, or submit to loss of revenue beyond that which the measures of the last two years have rendered unavoidable.

“73. I must say something of the effect which those measures have actually produced. Mr. Hope's Commission stated in its report last year that the remission of duty on all goods made of 30s and under “would probably soon effect a complete revolution in the piece goods trade,” and it quoted, in support of its own conclusions, a report by Mr. Pritchard, the Commissioner of Customs in Bombay, who, with reference to this remission, wrote as follows :—

“It will operate to create a new class of shirtings made of yarns 28 by 29 or 30, instead of the present standard quality of 32 by 36. This will pass free of duty, and, if it finds favour in the market, will take the place to a large extent either of the long cloths or of the shirtings now used, or of both.”

“The Commission also quoted the following opinion of a large mercantile firm :—

“There can be no doubt that a trade in cloth made of yarn just within the limit of exemption of duty would be fostered, and which might gradually become of considerable

importance. Such cloth would probably be appreciated by consumers for its intrinsic value, as well as for its comparative cheapness, owing to there being no duty upon it; and, if this should be the case, it might do away with the importation of cloth made of yarns varying from 32s upwards.

“74. I quote these passages, because the actual results have closely corresponded with the anticipations thus formed by the Commission and adopted by the Government. The chief difference has been that those results have followed more rapidly than either the Commission or the Government expected.

“The immediate consequence of the exemption from duty of goods containing no yarn of a higher number than 30s, was the rapid development of the manufacture and import of a new class of goods made of 30s and lower counts. In consequence of their superior relative cheapness, these duty-free goods have rapidly become popular; and the experiment having thus proved successful, the tendency is now to make of the coarser yarns all cloth for which they can be used, and to substitute the coarser for the finer fabrics formerly made of yarns ranging from 30s to 40s. This process has already reached such a point, that last month the duty-free shirtings and longcloths constituted more than 74 per cent. of those kinds of imported goods, and the dutiable qualities or some other classes of goods have almost disappeared from the market. We estimated last year that we might lose in the first year revenue to the amount of £150,000, and in subsequent years more. It is now probable that the loss in the first year, now about to close, will be nearly £200,000, and for the coming year it is estimated at £50,000 more.

“75. Now, clearly, the present state of things is not satisfactory. We are holding out to English manufacturers a strong inducement to supplant finer by coarser classes of goods, and it has been forcibly represented that these and other anomalies ought not to be left uncorrected. I may refer in particular to a letter addressed to us by the Bengal Chamber of Commerce. The Chamber points out that the declaration made last year by the Government, that “it is not reasonable that certain goods should be admitted free, while large quantities of goods of almost precisely the same character in every thing but name remain liable to duty,” is still true, with this difference, that the hardship is now “not caused by the competition between Lancashire and our local mills, but by competition amongst Lancashire manufacturers themselves, to secure the full benefit of the Government of India’s last act. They do not, however, carry less weight on that account.” The letter of the Chamber has been seen by the Council; I need not repeat the forcible illustrations which it

contains of the anomalies which now exist, but I fully admit the accuracy of its statements.

“The Chamber says that “to all appearance, these duties are dying a natural death, and as that process involves serious anomalies and hardships, it is a question whether the present is not a fitting moment to abolish them *in toto*. To the Committee there does not appear any other course open, consistent with the declarations of Government, to which they have referred.”

“76. If I could now put aside financial considerations, I should say that this conclusion of the Chamber is perfectly right. I may add that the alternative course which it has suggested as possible, namely, the recall of last year's exemptions, and the re-imposition of a uniform duty of $2\frac{1}{2}$ per cent. on all imported cotton goods, would not only be, in my opinion, objectionable in itself, but seems impracticable, because it would be opposed to the policy laid down for our guidance by Parliament, and by Her Majesty's Government. That policy was declared on the 4th April 1879, by the House of Commons, in the following Resolution:—

“That the Indian import duty on cotton goods, being unjust alike to the Indian consumer and the English producer, ought to be abolished, and this House accepts the recent reduction in these duties as a step towards their total abolition, to which Her Majesty's Government are pledged.”

“I need not pursue this subject further. It is impossible to deny that the present state of things is anomalous and objectionable. The Government will give to this question in the future that constant attention which its importance demands, but it cannot, at the present moment, make the large sacrifice of revenue which its complete solution would involve, and, as a provisional arrangement, meanwhile, it does not seem possible to draw any line better than that drawn last year. The abolition of the remaining duties on cotton goods would cost us £600,000, in addition to the £250,000 which we have given up already.

“I may remind the Council that the measures of last year were not hastily taken, and that they were in precise accordance with the specific recommendations of the Chambers of Commerce of Manchester, of Bengal, and of Bombay. I may add that, although I cannot doubt that the objections to which I have referred must have been felt as strongly in Lancashire as anywhere else, the Government has not received from the English manufacturers any complaints regarding them.

“77. Although, my Lord, I do not intend to discuss the propriety of the course that has been followed in regard to the removal of the duty on cotton goods, I must ask Your Excellency’s permission to say a few words on what is, in some respects, a personal matter. We are constantly told that these measures have been adopted in disregard of the interests of the people of India, and in obedience to the selfish demands of the Manchester manufacturers. If, my Lord, we had, indeed, manipulated, in the interests of England or of any political party in England, the taxes paid by the people of India, our conduct would have been not only shameful and odious, but absolutely criminal, and I, as Your Excellency’s chief constitutional adviser in the financial measures of the last two years, must have borne my share of the responsibility. But for myself, who have taken part in these measures, I wish to say that I hardly remember the time when I did not argue, in the interests of India, for the removal of these and all other restrictions on her commerce. I advocated the abolition of these duties before, to the best of my belief, Manchester had herself discovered that she was injured by them, and long before Lord Salisbury had proved in his despatches, in a manner which seems to me unanswerable, the serious injury which they were inflicting upon this country. As I said in my first Financial Statement three years ago, I would not have accepted my present office, if I had not hoped that I should have an opportunity of co-operating with Your Excellency in carrying out what, I may say without exaggeration, have been the convictions of a life-time. I have had that opportunity. The cotton duties are, in my opinion, virtually dead.

“78. Before leaving this subject, I think it right once more to point out that we ought not to shut our eyes to the consequences which, as it seems to me, must inevitably follow from the loss of the cotton duties. Whether those consequences ought, as I believe, to be welcomed as fraught with a great development of wealth and prosperity to India, or ought, as others think, to be looked on as disastrous, we cannot wisely shut our eyes to the fact that the abolition of the duty on cotton goods will involve in all probability the loss of a great part of our revenue from sea customs. In the Financial Statements for 1877-78 and 1878-79 this was clearly pointed out. In the former of these, I said that I looked forward with confidence to the almost total abolition of customs duties in India, and I used these words:—“I do not know how long a period may elapse before such a consummation is reached, but, whether we see it or not, the time is not hopelessly distant, when the ports of India will be thrown open freely to the commerce of the world.”

“My Lord, the fulfilment of this vision seems to me now not far off. It was shown in the Financial Statement for 1878-79 that, putting aside the duties levied on salt and alcoholic liquors, which stand on special grounds, and on which internal excise duties corresponding with the customs duties are imposed, there would remain, apart from the cotton duties, a very small amount of import duties. Taking the estimates for the coming year, the net sum which we expect to receive from the sea customs duties, exclusive of salt, alcoholic liquors, and arms, is £1,115,000. The cotton duties will yield say £615,000, and, if I am right in believing that they must ultimately be altogether given up, our whole import duties would then yield only about £500,000. The truth is that cotton goods are the sole article of foreign production, which the people of India now largely consume, and there is no present possibility of a large customs revenue from anything else. Will it be possible, when cotton goods have been freed from duty, still to tax woollen goods and many other articles? And can it be believed that we should long maintain our customs establishments for the sake of obtaining the insignificant revenue that would remain?

“79. I know only one suggestion which seems to deserve discussion, for saving a considerable portion of our customs revenue. I do not remember by whom it was first made, but I have heard of it for a good many years past. I believe that it really had its origin in a plan which at one time Mr. Gladstone thought of for England. My hon'ble friend, Mr. Hope, has lately given it his attention.

“Starting with the assumption that our customs tariff on its present footing cannot be maintained, this suggestion is that, instead of customs duties properly so called, we should, with certain exceptions, levy on all articles imported into India, and possibly, also, on those exported, a registration fee at a very low rate. In this way, it is urged, we might obtain a considerable revenue in an unobjectionable way. I give no opinion of my own, much less do I give any opinion on behalf of the Government, in favour of this scheme, and all I say of it is that it deserves to be considered.

“80. Another solution of these difficulties has lately been suggested, but it seems to me unsound in theory, and impossible in practice. It is that a sort of treaty of commerce should be entered into between England and India, on the principle that India will admit all English merchandize free, on condition that England gives up the duties which she now levies on Indian tea and coffee; if, it is added, England, in order to maintain her duty on China tea, prefers to continue to levy duty on tea and coffee from

India, she might pay the proceeds amounting to a million a year, into the Indian Treasury.

“Of course we should be glad to see the English or any other duties on Indian tea and coffee or on anything else removed; but, if free trade be good for India, it is good for her whether other countries maintain duties on Indian products or not, and the fact that England (for, as it seems to me, excellent reasons) taxes our tea and coffee, is no reason for our taxing her cotton manufactures, and almost everything else that we get from her. To maintain the contrary is, to maintain the old delusion of reciprocity. In regard to the suggestion that England should pay to India the million which she levies on Indian tea and coffee, this is clear, that, whoever else might profit from such an arrangement, it would not be our tea and coffee interests. They would have to pay as much as before, nor would they be reconciled to the new arrangement by the reflection, that it was almost equivalent to the imposition upon them of an export duty for the purpose of saving the English treasury from loss, and for the benefit of the general revenues of India.

“81. I must add that I do not know why tea and coffee have alone been mentioned, as if they were the only articles of Indian production on which England levies any duty. There is tobacco, from which England derives a revenue of between eight and nine millions; I hope and believe that Indian tobacco has before it a great future; I should be delighted to see every legitimate encouragement given to its production; but I cannot conceive how it can be admitted into England free of duty. As, however, the adoption of the proposals, to which I have alluded, would practically lead to the surrender by England of the greater part of her customs revenue, I need hardly say more on this subject.

“82. Leaving the import tariff, I come now to questions connected with the duties on exports. Since 1875, the only export duties have been those on indigo, lac, and rice.

“83. It is surprising that the duties on the two first of these articles should have survived so long. Nobody has ever defended them, and the only reason assigned for keeping them has been that the Government could not give up the revenue yielded by them, though this has never been great. The average amount derived annually from the export duty on indigo is £42,000. The duty is levied at a fixed rate on quantity, so that the revenue does not fluctuate with the fluctuation of prices. On the finer qualities the incidence of the duty is not much over one per cent.; on the lower qualities it may be as much as four per cent. The cultivation of indigo by natives

of the country has, in Northern India, been somewhat rapidly increasing, and the duty falls much more heavily on the qualities made by them, than on the better qualities turned out by the factories managed by Europeans. Indigo from Central America competes with ours in the European markets, but not very actively; and a more serious future danger to this industry is probably to be found in the competition of chemically prepared substitutes. The danger is not the less real because no efficient substitute has yet been found. The progress of scientific discovery is now so rapid, that we might hear almost any day that this highly important Indian industry was seriously threatened, and we should then be exposed to the deserved reproach that this competition had been stimulated by the suicidal folly of our fiscal legislation. Export duties enjoy the credit of having ruined the Indian trade in saltpetre; they were taken off when it was too late to repair the mischief; the Government does not wish to run any similar risk with indigo. A notification will, therefore, be issued to-day under the powers conferred on the Governor General in Council by the Sea Customs Act, 1878, exempting indigo from liability to export duty.

“84. The same notification will abolish the equally indefensible export duty on lac. The trade in lac has been in a depressed condition, and during the last two years the average amount of revenue yielded by the duty has been only about £9,000.

“85. I do not think that any one will question the propriety of these exemptions. Taking them both together, they involve a loss of about £54,000 a year.

“86. The only export duty, which will now remain, is that on rice. It yielded, in 1878-79, a net revenue of £556,000. As it is an export duty, it is often assumed that its effect must be more mischievous than that of any import duty. No one can be more alive than I am to the economical objections to export duties; but this duty on rice is, in my opinion, at the present moment, less open to objection than some of our other customs duties. I have before me a valuable note by Mr. O’Conor on the Indian rice trade. It is shown that more than half of our exports of rice goes to Europe. Of the remainder, the greater part is consumed in the countries near India, such as Arabia, Persia, Ceylon, the Straits, &c., or is sent to various colonies, of which Mauritius is the most important, for the supply of the cooly population. The table rice exported from Bengal to Europe is used as food; other qualities, and the rice from Burmah, a thick coarse grain, is chiefly used for distillation, or for conversion into starch.

“87. There is practically, at the present time, no competition with India on the part of other countries in Asia or America in the rice trade. Great apprehensions were expressed some years ago of the competition of Saigon. Similar apprehensions have been felt in regard to Siam. As yet these apprehensions have not been justified; but I must observe that there has been this year a large increase in the export of rice from Saigon to Europe. Northern Italy produces a good deal of rice, and sends large quantities to France; other countries furnish smaller supplies. Rice cultivation, which was formerly very extensive in North Carolina, has ceased to be important, and little rice now goes from the United States to Europe. Thus, although it would not be correct to say that India has a monopoly of the trade in rice, she has something approaching to it, and, so long as this remains true, it cannot be said that the export duty has a seriously injurious effect on Indian interests. At the same time, it is impossible to say how long this may continue true; the Government cannot keep too watchful an eye on the rice trade, and must be prepared, if it should become necessary, to take immediate action. While, therefore, I am not prepared to say that our export duty on rice is at the present moment especially objectionable, I feel that we cannot count upon it as a permanent source of revenue, and if we could afford the loss, I should be very glad to get rid of it. The exports of rice from India, during the last seven years, have not very greatly varied in quantity. In 1873, the year before the Bengal famine, they were 1,164,697 tons; in 1875, in consequence of the famine, they fell to 869,646 tons, and this was the lowest amount reached; in 1879 they had again risen to 1,061,861 tons, and the trade is now again increasing.

“88. Considering that, between 1874 and 1878, the country was passing, with hardly any intermission, through a period of drought and famine, and that vast quantities of rice were absorbed in feeding the famine-stricken population, it is satisfactory to find that exports to other countries should have shown little diminution, and that the enormous increase in prices should not have interfered materially with the foreign demand. In 1878-79, although prices still ruled high and an active demand continued for internal consumption, the exports nearly attained the level of the trade previous to the famine period. This year the exports will, it is thought, exceed those of last year, and, if harvests continue good, next year will probably be a time of great activity in the rice trade.

“89. In leaving this part of my subject, I will only add, that I am as sure as ever that there is no country in the world in which the fullest application of the principles of free trade is more desirable than it is in India. India (to repeat what was said in the Financial Statement for 1878-79) “is a country

which, from its poverty, the primitive and monotonous condition of its industrial life, and the peculiar character of its political condition, seems to require from its Government, before all things, the most economical treatment of its resources, and, therefore, the greatest possible freedom in its foreign exchanges." I confidently believe that the time is not far off when the truth of this will be generally recognized.

"90. The re-adjustment of the salt duties, to which I must next refer, has proved a very successful measure. It will be in the recollection of the Council that, at the end of 1877, a step was taken towards equalizing the rate throughout India, by raising it, in the Presidencies of Madras and Bombay, from 1 Rupee 13 annas to 2 Rupees 8 annas per maund, and by lowering it, in the Lower Provinces of Bengal, from 3 Rupees 4 annas to 3 Rupees, and, in the Upper Provinces, from 3 Rupees to 2 Rupees 12 annas per maund. In the following August, a further reduction was made of 2 annas in Lower Bengal, and of 4 annas in the Upper Provinces. By these means a uniform rate of 2 Rupees 8 annas per maund has been established throughout India, except in Bengal, where the duty is 6 annas higher, and in Burma and part of the Punjab trans-Indus, where it is nominal.

"On the 1st October 1878, the salt sources which the British Government had, under recently negotiated agreements, obtained on lease from the Native States in Rajputana, were taken over, and at these, as well as at the Sambhar Lake already in our possession, the duty of 2 Rupees 8 annas per maund was then levied on all salt, excepting that exempted under the agreements just mentioned, the details of which were fully described in the Financial Statement last year. Considering that this result has been obtained not only without any general increase in the rate of duty on salt, but with a large reduction of that rate throughout by far the greater part of India, and simultaneously with a reduction of price to the vast majority of the population, I think we may congratulate ourselves on the success of our policy.

"It was formerly shown that, by the re-adjustment of the rates of duty, we hoped to lower the price of salt to 130,000,000 of people, while only 47,000,000 were affected adversely. Rajputana and Central India are now liable to the salt tax, but a portion of the population still obtains its salt free of duty, and another portion pays only half the usual rate. Throughout the greater part of these States the price of salt, independent of the duty, has been greatly diminished, not only directly, but by the extension of railways. The people have further been relieved by the abolition of local transit duties, and by the

abolition of the British duty on sugar taken across the now defunct Inland Customs Line, which yielded £150,000 a year. The Government is now endeavouring to redeem all remaining transit duties on salt in Rajputana and Central India, so that the transport of salt may everywhere be free from restriction.

“91. The Inland Customs Line, on the enormities of which I have so often dilated, finally disappeared at the commencement of the present official year. When I think of this abominable barrier, which was likened to the Great Wall of China, stretching 2,000 miles across the whole of India, so that, if it had been put down in Europe, would have reached from London to Constantinople, with the countless evils that it entailed, I find it difficult not to begin again my old expressions of indignation. However, it is now dead, and I congratulate Your Excellency and the country on the fact. By its disappearance we have saved about £100,000 a year.

“92. I will state to the Council the principal facts in my possession, illustrating the effect produced by our measures on the consumption of salt and on the public revenues.

“We have complete returns for the first ten months of the present year. Comparing these with the returns for the same period in 1877-78, the last year in which the old rates of duty were in force, there has been an increase of consumption throughout India, amounting to about 2,400,000 maunds; the total consumption in the former period was 20,373,000, and in the latter period 22,776,000 maunds. More than 537,000 maunds of this increase is the increase in Lower Bengal, and nearly 1,900,000 maunds in Northern India. About a third part of the latter is attributed to the consumption in the Native States of Rajputana and Central India. In Madras and Bombay there was a small falling off in the consumption, which fell from 8,850,000 to about 8,654,000 maunds, or by 196,000 maunds. The reduction in Madras is believed to be more apparent than real, because a large number of the population consume untaxed salt. The law relating to salt in the Madras Presidency is as yet very leniently enforced, or is, perhaps, not sufficiently stringent.

“In making the above comparison, I have taken the most unfavourable figures for my own argument that I could find; 1877-78 was the great famine year, but nevertheless for some reason, which I have failed to understand, the amount of salt taxed in Madras in that year was, as I noticed in the last Financial Statement, extraordinarily large.

“If we compare the returns for the first ten months of the present year with those of 1876-77 (and, if I went further back, my case would be still stronger), we find that, taking the whole of India, there has been an increase in the total consumption of 2,718,000 maunds, or from 20,058,000 to more than 22,776,000 maunds; and this increase has been spread over the whole country. In Lower Bengal the consumption has risen from 6,822,000 to 7,682,000 maunds, and, notwithstanding the reduction of duty, the revenue has only fallen off by £30,000, or from £2,220,000 to £2,190,000.

“In Northern India the consumption has risen from 3,775,000 to 5,442,000 maunds, and, in spite of the reduction of duty, the revenue has increased from £1,142,000 to £1,348,000. Even in Madras and Bombay, where the duty was increased, and where the revenue has risen from £1,662,000 to £2,155,000, the consumption has increased from 8,641,000 to 8,654,000 maunds.

“The figures I have just quoted refer to revenue derived from the duty on salt. There are, besides this, large receipts from other heads, such as the sale price of Government salt.

“In 1877-78 the gross salt revenue of the whole year was under 6½ millions sterling; in 1878-79 it had risen to 7 millions; the Regular Estimates for the current year exceed 7½ millions, while, for next year, our estimate of salt revenue is 7½ millions. Thus the improvement is expected to be more than one million in four years.

“While the revenue has thus increased, the salt expenditure has diminished from £508,000 in 1875-76 to £404,000 in 1878-79, and is estimated at £368,000 in 1880-81. Against this saving in expenditure, however, must be put £253,000 on account of the annual compensations paid to the Native States and to Portuguese India; this, with £70,000 for the Sambhar Lake, is charged in the public accounts under *Allowances and Assignments*.

“93. I think, my Lord, I may now say confidently that the wisdom of the policy followed in regard to the equalization of the salt duties has been proved by experience. To what extent the increased consumption and lower price of salt throughout the greater part of India have been the consequence of the reduction of the duty, and to what extent they have been attributable to the extension of railways, to the general improvement of communications, the opening out of new markets, and the increase of the population, it is not possible to say; these various influences have, doubtless, all contributed to the result; but it was with the knowledge, and indeed with the certainty, that

all the conditions with which we had to deal were highly favourable to the success of our policy, that we were induced to adopt it.

“94. I must add that we received a few weeks ago a representation from the President of the Salt Chamber of Commerce, Cheshire and Worcestershire, to the effect that one of the results of our late measures has been an increase of the former difference between the rates of duty on Liverpool salt and that produced in Northern India, which places the former at a greater disadvantage than heretofore, and has driven it back from markets in Behar formerly supplied by it. Although, as I have already shown, there has lately been a great increase in the consumption of Liverpool salt in Bengal, careful inquiry is now being made into this subject. But, whatever may be the result of that inquiry, I may say at once that, although the Government cannot, at the present moment, make any further reduction in the Salt Duty in Bengal, it fully recognises the necessity of completing, as soon as possible, the actual equalization of the duty throughout India. It is an essential part of our policy to do so, and I feel sure that the measures which have still to be taken will prove as satisfactory to the country, and as beneficial to the revenue, as those of which I have been describing the results.

“95. When, my Lord, the Financial Statement for 1879-80 was published a year ago, we were far from foreseeing the extraordinary improvement which was about to take place in our financial position, and which we now perceive had even then commenced. The loss caused by the great disturbance in the relative value of gold and silver had reached alarming proportions, and there was nothing to re-assure us regarding the future. We were engaged in war; the surplus which we considered necessary to protect the country against the financial consequences of famine had disappeared; our estimates, apart from the war, showed a surplus of only £605,000. We decided, however (to quote the words of the last Financial Statement), that it was “wise to abstain from imposing any fresh burdens on the country, and to accept the temporary loss of the surplus by which it was hoped that an insurance against famine had been provided.”

“96. I see nothing to be ashamed of in our want of foresight. I do not see how we were to know that there would be a great improvement in the exchange, which would last through nearly the whole year, and which, in spite of an increase in our remittances, would better our position by £760,000; that our opium estimate, which we had taken at a higher amount than, with one exception, it had ever been taken at before, would prove, taking both sides of the Account, to be too low by £1,900,000; that in consequence of the most

favourable season which India has known for many years, the increased prosperity of the people, and other causes, every great branch of the public income would show an increase; that we should get £450,000 more from Land Revenue, £335,000 more from salt, and so on.

“97. Although, as I need hardly say, it was not a pleasant task which I had last year to perform, in laying before the Government and the public so unpromising a budget, there are now good reasons for not expressing much regret that we were not gifted with greater powers of foresight. For the result was to make us undertake a most searching examination into every branch of the public expenditure, with the firm resolution that everything superfluous should be ruthlessly sacrificed. The reductions which we have made already, and which we hope still to make, are not the least satisfactory part of the year's history.

“The Local Governments throughout India loyally responded to our invitation to co-operate in the task which we had undertaken. We left it entirely to their discretion to decide where they could reduce their expenditure, and exercised no kind of interference in their proceedings. The result of our communications with them was, that, with their full consent in every case, the assignments made to them from the Imperial treasury in the present year have been reduced by £335,000, and a similar reduction will be made in the coming year.

“98. Besides less important savings, which I need not now detail, there has been in the present year a reduction in the Public Works expenditure of £661,000. I hope that £400,000 to £500,000 a year will eventually be permanently saved by getting rid of superfluous establishments. Some explanation is necessary on this subject.

“99. Before any orders to reduce the expenditure on Productive Public Works had been issued by the Secretary of State, or the question of reducing the Ordinary Public Works expenditure had been taken up afresh by the Government of India, it was an acknowledged fact that the strength of our Public Works establishments was enormously in excess of what was necessary. When the Secretary of State ordered, subject to certain conditions, the reduction of our annual expenditure on Productive Public Works to the sum of £2,500,000, this excess became, of course, a still more serious evil. I will not now go into the question of the causes which led to the growth of these needlessly large establishments. It is easy to be wise after the event; they were, for the most part, the result of errors of system which were only

discovered to be errors by experience. However, this may have been, we found ourselves, at the beginning of the present financial year, in this position, that our Public Works establishments were declared by the highest authorities in the Public Works Department to be costing not less than £500,000 a year more than was necessary for the expenditure on Ordinary and on Productive Works which had to be carried on. We therefore resolved that these superfluous establishments must be at once reduced.

“100. The Local Governments and the authorities in the Public Works Department deserve the thanks of the Government of India for the efficient manner in which the serious task of making this great reduction has been performed. I think it will be admitted that the measures of the Government were carried out with the greatest possible consideration for individuals, and that the engineers with whose services we have unwillingly been compelled to dispense have been treated liberally. The reductions actually made will save us £250,000 a year. In the present year there will, of course, be a large set-off on account of pensions and gratuities; it amounts, indeed, to about £280,000; but the greater part of the cost of reduction will be incurred, once for all, in the shape of gratuities.

“Although these great changes in the constitution of the Public Works Department could not be made without some temporary inconvenience, there can be no doubt, I hope, that they will lead to a permanent increase of efficiency. Our difficulties, however, are not over; our Public Works establishments are still larger than they ought to be, and the constant supply of young engineers that pours in from Cooper's Hill will, if it be not speedily stopped, prove a cause of renewed embarrassment, and of useless and serious expense.

“101. Before leaving this subject, there is one important point that I must notice. It will be plain from what I have said, or have still to say to-day, that the Government of India looks with regret on the reduction of expenditure on Productive Public Works, and that it hopes to see that expenditure again increased hereafter. How, it may be asked, holding these opinions and expectations, can you justify this reduction of Public Works establishments? If, hereafter, your expenditure is increased as you hope it will be, you will have deprived yourself of the machinery necessary for the execution of your works.

“102. If, my Lord, this were true, I should, for my own part, have thought our proceedings very foolish; but I am satisfied that we need be under no apprehensions of the kind. I think that I cannot better explain the views of the Gov-

ernment on this subject, than by reading to the Council the following extract from a despatch addressed by the Government of India to the Secretary of State in September last :—

“ Our present difficulties have not disturbed our belief in the great importance of the most rapid possible development of the means of communication and other material improvements in India. * * * * *

“ With these convictions, we should not have acquiesced, without remonstrance, in the absolute permanent restriction to £2,500,000 a year, of our expenditure on the construction of Productive Public Works, if we had understood this to be Your Lordship's intention. * * * Accordingly, we have been careful so to frame our proposals for the re-organisation of our establishments, that we shall have no difficulty in hereafter increasing our expenditure on Productive Public Works to any extent which is likely to be considered expedient. We could not have undertaken any reductions not compatible with this condition.

“ The ordinary difficulty of organising an efficient and economical service has been aggravated, in the case of the Public Works Department, by the fluctuations of public policy which have manifested themselves in large variations of the grants made for expenditure in this Department. We need not now enquire into the causes of these fluctuations, and we do not wish to criticise the policy either of the school which advocates a lavish public expenditure on such works, or of that which regards with distrust any such expenditure which can be avoided. It only concerns us now to recognise the fact that we have no reason for expecting, hereafter, more immunity from such alternations of conflicting influences than we have enjoyed heretofore. Our duty, therefore, is to anticipate their recurrence, and frame our measures accordingly.

“ Hitherto, our establishments have been organised on a plan which demands, for successful and economical results, a steady and unbroken prosecution of works ; engineers having been brought into the service on engagements which have been understood as ensuring to them continuous employment. But such employment is incompatible with the conditions on which we can provide funds for the construction of Productive Public Works ; and, clearly, we must now so organise our establishments that their strength may be, at any time, readily reduced or increased. In other words, the cause of our present difficulties being that we have, on the whole, been burdened with establishments in excess of what, with the funds at our disposal, we could constantly and profitably employ, we must, for the future, take care to engage no establishments in excess of the greatest strength for which we can confidently expect to provide constant and full employment, whatever policy as to the material improvement of the country may be in the ascendant.

“ We have resolved, therefore, to organise our permanent establishment, rather upon the model of the staff of a great contractor, supplementing it, as occasion requires, by temporary establishments engaged for particular works only, with no claim to absentee allowances, pensions, employment upon any other work, or any of the rights and privileges of a regular establishment. Moreover, we desire to look, more and more, to the employment, upon considerable undertakings, of contractors with large capital, and to the development of the exist-

ing system of petty contracts for petty works. In this way, we expect to avoid a recurrence of the inconvenience from which we are now suffering.

“ We anticipate no difficulty in carrying out the policy thus designed : on the contrary, we believe that, while guarding us against a return of our present embarrassment, this policy will, by encouraging persons to adopt the profession of Civil Engineer, and otherwise, promote the general interests, and be favorable to the extended employment of Natives of India in this department of our service, an object which we have much at heart. ’

“ 103. Before leaving the subject of reduction of expenditure, I have still to mention what I hope may prove hereafter to have been the most important measure of the year. I refer to the appointment of the Special Commission, presided over by Sir Ashley Eden, to inquire into the organisation and expenditure of the army in India. The Report of the Commission is now under the consideration of the Government, and I should be going altogether beyond my own proper business, if I were to attempt in any way to discuss the recommendations which the Commission has made, or to give any opinion as to the extent to which those recommendations may be carried out. But there are some facts to which I may refer without impropriety, and which seem to me highly encouraging. This Commission, presided over by one of the most eminent of Indian statesmen, and including among its members some of our greatest Indian soldiers, has arrived at unanimous conclusions on almost every one of the questions submitted to it. These high authorities believe that the adoption of their proposals would greatly increase the efficiency of the army in peace and war ; that it would add to the military strength of the British portion of our forces ; that the strength and efficiency of the Native army, as a fighting body, and the popularity of the service, would be increased ; that the medical service would be placed in harmony with the true principles of army organisation ; that in the departments of the army greater uniformity and power of administration would be obtained ; that the great lines of military communication would be improved and made permanently secure ; that, under a more scientific system, the troops could be more rapidly and easily mobilised ; and that (to quote the words of the Commission) “ with improved transport arrangements, with a more thorough knowledge of the vast resources of the country in supply and transport, and with a decentralised military system, the Government of India will be able, provided the details are thoroughly worked out beforehand, to place in the field a force which will be a powerful weapon of offence or defence, while the troops remaining in garrison will be ample to supply a reserve if needed, and to maintain the peace of the country undisturbed.” The Commission believes that these great results, by which the efficiency of the army would be immensely increased, could be attained, not only

without additional expense, but with a positive saving to the State of £1,250,000 a year.

“I have not been able to take credit for any part of such savings in the coming year; but I sincerely trust that this most important matter will not be allowed to sleep, and that no feeling that the improvement in our finances has rendered military economy less urgently necessary, will be permitted to cause delay in settling the questions which have been raised. As the Commission, quoting the principles strongly enunciated by Lord Mayo, and reiterated by his successors, has observed, “the people of India ought not to be called upon to support or pay for one unnecessary soldier.”

“104. The warning which I have now given, that we ought not to be induced by the improved state of our finances to relax our efforts in the direction of economy, is not true in regard to military expenditure alone. It would be a dangerous mistake to conclude that our prospects are not still uncertain.

“In the Financial Statement for last year, prominent attention was called to the consequences entailed upon India by the violent disturbance of the long standing equilibrium between gold and silver. It was then stated that the Government of India had submitted its views on this subject to the Secretary of State, and, as the Council is aware, Her Majesty’s Government did not think it possible to accept our recommendations.

“Although the exchange has, during the present year, been less unfavourable to India than we anticipated, it would be a great error to suppose that our anxiety on this account has been removed, or even seriously diminished. The gravity of the subject can hardly be better illustrated than by this fact, that, even in the present year, which has been comparatively favourable, the charge for Loss by Exchange amounts to £3,188,000, while for the coming year it is estimated at £3,411,000. Ten years ago, in 1869-70, the charge was £142,555. Although the relations between the two metals have, of late, been comparatively steady, yet, as this stability does not rest upon any known foundation, it does not afford ground for confidence in the future relations of the two metals, which, under the existing conditions, cannot be predicted for a single month.

“Obviously we cannot depend on the maintenance of our Opium revenue at its present unprecedentedly high amount. Other causes for a prudent anxiety are not wanting. It is, for example, plainly impossible to say what may be the actual cost, and the future obligations entailed upon us by the war in Afghanistan; although, so far as can now be foreseen, ample provision on this account seems to have been made. Altogether, while our financial prospects

look, on the whole, far brighter than they were a year ago, we cannot say that there are not many causes for anxiety remaining. The prudent view to take is this, that we ought to take advantage of the breathing time that has now been obtained, to set our house in order.

“105. I think, my Lord, that there is only one remaining subject to which I need refer. Attempts have recently been made in England to compare the financial condition of India as it is now with what it was in past periods, and it seems to have been assumed by many persons that, because difficulties are found in making such comparisons without more information than is given in the published abstracts of our accounts, therefore there is something wrong in the structure of our accounts themselves. The fact is that, for many years past, we have been steadily striving to make such improvements in our published abstracts as were called for by changes in financial circumstances, and in order to give fuller information. In this view, heads of accounts which used to be lumped up together have been separated, while others have been consolidated, and, instead of entries showing merely the net result of the differences between revenue and expenditure, the actual revenue and expenditure have been entered on each side of the account respectively.

“106. For example, in Mr. Wilson’s Budget Statement in 1860, there were only six revenue heads. The first was “Land Revenue, Sayer and Abkaree,” and it included Land, Forest and Excise revenue, all lumped together; then came, separately, “Customs,” “Salt” and “Opium;” then “Miscellaneous,” a large item of over 4 millions; and lastly, “Receipts from Railway Companies;” which at that time were only £330,000. On the expenditure side the charges on account of collecting the revenue on account of Land, Forest, Excise, Customs, Salt, Opium, Post Office and Stamps together with Political Pensions, Allowances, Assignments, and Charitable Grants, were all included under one head; the remaining heads were “Interest on Debt in India;” “Military Charges;” “Marine;” “Civil Charges,” which included all Political, Judicial, and Police Establishments, and all Public Works, except Military and Marine; “Miscellaneous;” and “Guaranteed Interest on Railway Capital.” The charges incurred in England were not classified at all. In the next year, 1861, the heads of Revenue and Expenditure were re-arranged and somewhat increased in number. The net charges in England were also shown separately.

“From that time the abstract has been, from year to year, improved in the manner I have indicated. In the last few years these changes have been considerable, involving the entry of large amounts on each side of the

Account, which were previously shown net on one side only. For instance, until quite recently, the excess of the Guaranteed Interest on Railway Capital over the net earnings of the Railways was shown in one entry on the expenditure side, instead of the net earnings being entered on the revenue side and the full Guaranteed Interest on the expenditure side; this obvious improvement has caused an addition to each side of the account of some 5 millions sterling. So again, the Provincial Revenue and Expenditure is now entered in the gross, under the appropriate heads, instead of net on one side only of the account. This has added about a million to both sides. Finally, local revenue and expenditure which, although as much public transactions as any other, used to be excluded altogether from the Financial Statements, have now been included, adding more than $2\frac{1}{2}$ millions to each side of the account.

“Thus, under these three heads alone, the totals of our revenue and expenditure have been increased by about $8\frac{1}{2}$ millions, without any addition whatever to our revenue or expenditure. I will not say that our form of abstract is even now perfect; but it gives detailed information which it was impossible to obtain from the abstracts as formerly framed. The improvement of late years has been great, and it is certain that few countries now publish such full and accurate accounts as India. It can hardly be contended that the difficulties which such changes throw in the way of persons who wish to make minor comparisons, ought to have deterred us, or should in future deter us, from rendering our published accounts as perfect and comprehensive in form as possible, or that because our published statements were incomplete ten or twenty years ago they ought to have remained incomplete for ever.

“107. I cannot now take up the time of the Council with any elaborate comparison between our present financial position and that of ten or twenty years ago. As, however, there seems to be an impression that there has been a great increase in the public expenditure, I will briefly compare the accounts of our net expenditure in 1868-69 and 1869-70 with the accounts of 1878-79 and the estimates of 1880-81. That this comparison may be effective, I have eliminated the expenditure from Local Funds, recently incorporated with the rest of the public expenditure, and also the expenditure on the war in Afghanistan. In like manner I have removed, throughout, the credits from the extinct Military Funds. I have then divided the net expenditure thus ascertained into four groups, as follows:—

“*First.*—Land Revenue (except Charges of collection, Surveys and Settlements), Post Office, Administration, Minor Departments, Jails and Penal

Settlements, Law and Justice, Police, Marine, Education, Ecclesiastical, Medical, Stationery, Printing, Political, and Miscellaneous.

“*Second.*—Interest, Loss by Exchange, Furlough Allowances, Pensions and Famine.

“*Third.*—Public Works, Telegraphs, Railways, and Canals.

“*Fourth.*—The Army.

“The whole net expenditure thus classified is as follows:—

	1868-69.	1869-70.	1878-79.	1880-81.
	£	£	£	£
Group I.—Effective civil administration ...	10,042,000	10,489,000	10,997,000	11,255,000
Group II.—Non-effective civil expenditure ...	7,054,000	6,543,000	11,182,000	10,536,000
Group III.—Public Works ...	8,195,000	6,235,000	3,454,000	1,883,000
Group IV.—The Army ...	15,137,000	15,251,000	15,441,000	15,330,000
TOTAL ...	40,428,000	38,518,000	41,074,000	39,004,000

“108. *Group I.*—The effective civil charges proper have increased in the twelve years by about one million sterling, of which £587,000, under the Head of Law and Justice, is due to the development of backward provinces, such as Assam, Burmah and Oudh, and to improved administration; and £233,000, under Education and Medical Services, is to be attributed to the constant demands for more schools and dispensaries. It does not seem to me that either the fact that the whole active civil administration of this great country costs only net 11½ millions a year, or the increase of its cost in twelve years by one and a quarter million sterling, is indicative of any laxity of financial control or any disregard of the interests of the tax-payers.

“109. *Group II.*—The non-effective civil charges, many of which are not subject to control, show an increase of about 3½ millions, caused mainly by the disturbance of the relative values of gold and silver, but also notably by the growth of the pension list. Notwithstanding the addition of 37½ millions (net) to our debt, the charge for interest shows little or no increase, the rate of interest having been, by successive operations involving labour and forethought, constantly reduced. The average rate of interest upon the whole debt is now 4·40 per cent.

“110. *Group III.*—The growth of the revenue from Railways, Telegraphs and Canals, and the reduction of the expenditure on Public Works Ordinary has

produced a diminution of the net expenditure in this group of more than six and a quarter millions a year, which therefore largely exceeds the increase in Group II. During this period we have spent $65\frac{1}{4}$ millions sterling upon Railways, including the Guaranteed Railways, Canals, and Telegraphs. The result shown in the figures here given is remarkable evidence of the manner in which India responds to outlay of this character.

“ We have seen that in the coming year, the revenue derived from productive public works is likely to exceed the interest on the capital expended in their construction, together with the working expenses. I have read criticisms, in which the policy of constructing these works has been condemned on the ground that they had not yielded, and in many cases were not likely to yield, any extra profit after fully paying their expenses. But if the Government has succeeded in making these magnificent works for nothing, that is, without throwing any permanent charge for them on the people of India, surely it may well be contented.

“ 111. *Group IV.*—Although there was an intermediate reduction of the cost of the Army, the net military expenditure here shown is little larger in the later than it was in the earlier years.

“ 112. Owing to the rapid improvement in the financial results of our Railways, Canals, and Telegraphs, and to economy in the expenditure on public works ordinary, the whole net expenditure shows no increase, but a positive reduction.

“ 113. Considering that, during this period, the charge for loss by exchange has increased by 3 millions, and that, including the guaranteed railways, we have invested no less than $65\frac{1}{4}$ millions in productive public works, this, My Lord, is a result of which the Government of India need not be ashamed, and which I earnestly commend to the study of those statesmen who, from motives worthy of all respect, but which appear to me to be founded upon a dangerous misapprehension of facts, would withhold from India those material benefits which are to be obtained only by the expenditure of capital upon the development of her vast resources.

“ 114. It now, My Lord, only remains for me to make the motion standing against my name. If it be adopted by the Council, it will be equivalent to a resolution that the Trades and Professions Bill shall be dropped altogether, and I shall afterwards ask permission to introduce a new Bill for the amendment of the present law. It will be understood, from what I have said to-day, that it will be a very short and simple measure, and its principal effect will be to

relieve the poorer classes of traders from the taxation to which they are now liable."

The Motion was put and agreed to.

LICENSE ACTS AMENDMENT BILL.

The Hon'ble SIR J. STRACHEY moved for leave to introduce a Bill to amend the law relating to the licensing of trades and dealings. He said:—

"After the explanations that have been given by me in the Financial Statement to-day, I need only occupy the time of the Council for a few minutes in explanation of the small and simple measure which I wish to introduce.

"The reasons for which the amendment of the present law is desirable are these. In the first place, it is thought right to sanction by legislative action the exemptions already proposed, and in some instances already ordered, by the Executive Government, in favour of the poorer classes of tax-payers.

"Secondly, it is desirable that the license-taxes should be collected everywhere, as they are already in Bengal, for the official instead of for the calendar year, although the assessments should continue to be made during the cold season, and as soon as possible after the first January. As the Council will remember, the collections which under the present Acts ought, excepting in Bengal, to have been made in the first three months of the calendar year, were suspended by executive order, until the Financial Statement could be brought forward, and if there were now no legislation, we should lose a great part of the tax for the next financial year. The result of the change now proposed will be that the tax for three months will be relinquished. Thus, a certain small amount of temporary relief has been given.

"It is thought desirable to take the opportunity of removing two or three other defects in the existing law.

"Doubts have arisen in some Provinces whether tea-planters and others are legally liable to the License-tax when they sell the produce of their own land. They have been exempted from payment by executive orders, but it is thought desirable to make it clear that the law imposes on them no such liability.

"As the law now stands, a person carrying on trade in more than one Province or district may sometimes be called on to pay license-fees in more than one place. The Bill will invest the Governor General and Council with power to direct that a person shall be assessed at one place in British India, however numerous may be his places of business.

“ I must explain that in Bengal the collections are already made for the financial year, and the second reason that I gave for amending the existing law is therefore not applicable to Bengal. The Bengal Act also provides already for the exemption of tea-planters and others. As there are other matters in which the Bengal Government desires to amend its local Act, it is thought better to make no reference to Bengal in our amending Bill.”

The Motion was put and agreed to.

The Hon'ble SIR J. STRACHEY then introduced the Bill.

The Hon'ble SIR J. STRACHEY also applied to His Excellency the President to suspend the Rules for the Conduct of Business.

THE PRESIDENT having declared the Rules suspended,

The Hon'ble SIR J. STRACHEY said:—“ The Bill is of so simple a character that it may seem hardly necessary to refer it to a Select Committee, but it is, I think, as well to do so, for its consideration may suggest improvements which have been overlooked. I will only add to what I have said already, that the Bill is really shorter and simpler than it looks. It has been thought desirable so to frame it that the provisions applicable to each Province will fit in to, and form part of, the existing local Acts, for this will be convenient to the local officers, who have to administer the law. The Bill has, therefore, been divided into three parts, applicable to Northern India, Madras and Bombay respectively. The result is that provisions which are virtually the same, appear three times over, and the Bill thus seems longer than it really is. I have already explained why it does not apply to Bengal. I beg now to ask the Council to refer the Bill to the same Committee which was formerly appointed to consider the defunct Trades and Professions Bill, and to move that the Bill be referred to a Committee consisting of the following Members:—

“ The Hon'ble Messrs. Stokes, Thompson, Hope and Colvin, the Hon'ble Mahārājā Jotindra Mohan Tagore, and the Hon'ble Messrs. Batten, Morgan, Paul and the Mover.”

His Excellency THE PRESIDENT said, before he put the motion, it might be as well that he should explain that, if this motion was carried, he proposed to adjourn the Council to that day week, in order that all hon'ble Members, who wished to make any observations on the Financial Statement, might have ful

time to consider it. With that explanation, he put the question that the Bill be referred to a Select Committee consisting of the Hon'ble Messrs. Stokes, Thompson, Hope and Colvin, the Hon'ble Mahārājā Jotindra Mohan Tagore, and the Hon'ble Messrs. Batten, Morgan and Paul and the Mover.

The Motion was put and agreed to.

The Council adjourned to Tuesday, the 2nd March, 1880.

D. FITZPATRICK,
Secretary to the Government of India,
Legislative Department.

CALCUTTA;
The 24th February, 1880. }