

Thursday, December 27, 1877

**ABSTRACT OF THE PROCEEDINGS**

**COUNCIL OF THE GOVERNOR GENERAL OF INDIA**

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*Abstract of the Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Act of Parliament 21 & 25 Vic., cap. 67.*

The Council met at Government House on Thursday, the 27th December 1877.

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, C.S.I.

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

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

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

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

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

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

The Hon'ble F. R. Cockerell.

The Hon'ble B. W. Colvin.

The Hon'ble Mahárájá Jotíndrá Mohan Tagore.

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

The Hon'ble Muntáz-ud-Daola Nawáb Sir Muhammad Faiz Ali Khán Bahádur, K.C.S.I.

The Hon'ble G. C. Paul.

The Hon'ble E. C. Morgan.

NORTHERN INDIA LICENSE BILL.

The Hon'ble SIR J. STRACHEY moved for leave to introduce a Bill for the licensing of trades and dealings in the Panjáb, the North-Western Provinces and Oudh. He said—

FINANCIAL STATEMENT.

MY LORD;—"In the Financial Statement for 1877-78, which I had the honour to present to your Excellency and this Council on the 15th of March last, I dwelt at some length upon the necessity imposed upon the Government of India of bringing the public Revenues and Expenditure into a condition of proper equilibrium, and I indicated that it would be our duty, at some future time, to propose further measures for accomplishing this object. The events that have occurred since that time will have prepared every one for the conclusion that the urgency of the case has become greater with each succeeding month of the prolonged crisis through which the country has been passing. The Government fully recognizes the fact that the community at large is not less interested in the measures that it has been deemed expedient to adopt than are the Members of

the Government on whom devolves the responsibility for framing those measures, and your Excellency has, I may be allowed to say, wisely determined, therefore, to lose no time in introducing before the Council the Bills which are necessary for obtaining the requisite Legislative authority for carrying out its policy. This course will give ample time for that full consideration of our measures, which it might have been difficult to secure if we had waited till a later part of the season.

“I reminded the Council, at the time to which I have referred, that, after the famine of 1874 in Northern Bengal, the Government of Lord Northbrook declared that such calamities could no longer be treated as abnormal or exceptional, and that sound financial principles required that the grave obligations entailed by famine upon the Government should be explicitly recognised and provided for among the ordinary charges of the State. Within the previous ten years, three serious famines had occurred. The drought of 1866 led to famine in Bihār and Orissa. The failure of the rainy season in 1868 and 1869 caused severe distress over a great tract of country in Northern India; and in 1874 came the famine in Bengal. As it could not be doubted that India was liable to the periodical and not unfrequent occurrence of such calamities, Lord Northbrook most justly concluded that to attempt to meet them merely by borrowing without a simultaneous increase of income would be financially ruinous: it was out of the question to think of meeting with borrowed money the charges which we should have to incur in future on their account. Whatever means, he said, we may take to obviate or mitigate them, it must, under present circumstances, be looked upon as inevitable that famines will from time to time occur.

“He therefore determined that, to enable the State to meet the serious obligation of preventing and relieving famine, it was necessary to secure, in prosperous times, a substantial surplus of Revenue over Expenditure in addition to that necessary margin which a prudent administration demands for the ordinary requirements of the State. Due provision would thus be made for meeting occasional expenditure upon famine. He argued that, if this surplus were devoted to the reduction of debt or to preventing the increase of debt for the construction of reproductive public works in years of ordinary prosperity, there would be no objection to the Public Expenditure exceeding the Public Revenue in occasional years of adversity, so that we might then without objection meet the charges on account of famine from borrowed funds, to the full extent to which our surplus had permitted the discharge of debt or prevented its increase.

“The Secretary of State agreed with Lord Northbrook’s Government that the periodical occurrence of famine ought to enter into the calculation of the Government of India when making provision for its ordinary wants from year to year, and that such a surplus should be provided in each year as would make a sensible impression on the debt incurred in times of famine. Her Majesty’s Government have recently re-affirmed this principle.

“I was authorised, in making my Financial Statement, to declare the entire concurrence of your Excellency’s Government in this policy, the wisdom of which had again been painfully enforced upon us by the famine in Southern India, but which no sufficient steps had till then been taken to carry out. A careful examination of the accounts of the seven years ending on the 31st March 1876, a period long enough to illustrate fairly the state of our Finances, made it plain not only that we had, when I spoke, made no proper provision for the cost of famines, but that we possessed no true surplus of Revenue over Expenditure to cover the many contingencies to which a great country is exposed. As I then said, the financial administration of our predecessors had been most careful and economical. They acted in accordance with the facts which their experience appeared to supply, and with that reluctance to add to the public burdens which has always most properly characterized the action of the Indian Government. But our fuller information had made it manifest, beyond the possibility of dispute, that, whether by retrenchment of expenditure, or development of the existing sources of revenue, or fresh taxation, or by a combination of these means, a substantial improvement of our financial position was indispensable; and we only postponed the adoption of vigorous measures to this end until returning prosperity should enable the country to undertake fresh burdens with less difficulty, and allow the Local Governments more leisure to afford us their counsel and co-operation. Subsequent events have only served to show more clearly the urgency of our need. The year 1877 has been a year of gloom and difficulty to multitudes of the people, and of deep anxiety to the Government. In consequence of the delay in the coming of the summer rains, the distress in Southern India was prolonged much beyond the period which, it had been hoped, would terminate it. We had estimated the cost of the famine at five and a quarter millions, but this sum had subsequently to be raised to our present estimate of nine and a quarter millions. In addition to the scarcity in the south, a fresh danger arose in the north, from the very insufficient rainfall in that quarter. The autumn crops over a great part of Upper India were almost wholly lost, no such complete failure having occurred, in the North-Western Provinces, since 1837-38. The drought extended into Rájputána

and Central India; and there are few Provinces in India which did not suffer more or less loss. At one time there were imminent apprehensions that it would be impossible to sow the winter crops of Upper India, and that another famine of great severity was there impending. Happily, the rain in the beginning of October saved India from this peril; abundant falls have already almost obliterated famine in our Southern Provinces, and the timely rainfall of the present month of December has removed our remaining anxiety for Northern India. We may reasonably hope that our long-continued adversity will now be succeeded by a season of national prosperity.

“I must not turn aside now to speak of the lessons for our future guidance which, I hope, will be derived from the dearly-bought experience of the recent famine. But I hope that, upon a retrospect of the famine campaign of 1876-77, it will be found that former experience was not thrown away; that there has been a better application of national resources; and that better fruits may be expected from the famine-expenditure than on former occasions. Doubtless, we are far from having completely learnt the most economical, or the most efficient, method of dealing with these calamities. However, it is not my present object to discuss these matters. What I have to do is, now that we are in a condition to face the question, to redeem the pledge I before gave, and to propose the measures which seem to the Government necessary in order to place the finances in a proper condition.

“To enable the Council and the country fully to understand the true position of affairs, it is necessary for me to state, with such precision as is possible, the actual cost of recent famines, in order that an estimate may be made of the amount of financial relief which must be obtained before the Treasury can permanently undertake this burden. The task is not so easy as might at first sight appear.

“I am not able to compute with certainty the cost of the famine of 1866 in Orissa; but it has been estimated at £1,700,000. From various causes, however, the measures of relief then taken fell so far short of what would now be deemed necessary, that we could not base upon them any calculations for the future. Even as regards the Bengal famine of 1874, and the famine in Southern India in 1876 and 1877, it will be obvious, on reflection, that it must be long before the accounts of the receipts and disbursements can be completed, and that, to the last, many of the component items must be estimates rather than facts. The main expenditure is, or ought to be, for the wages of labour upon public works: it must be always a matter of estimate how much of this expenditure is infructuous and a dead-weight famine-charge.

and how much may be fairly reproductive. The extra expenditure in consequence of the famine upon the several services, Military and Civil, may be more precisely ascertained. On the other side, the Revenue lost under many Heads of Account, and the net Revenue gained upon the Railways, although real and important elements in the accounts of a famine, can never be exactly known: the Railway gains operate more or less as a set-off against the charges, but all the amounts will to the last be open to much doubt. Then we have loans or advances made to other Governments, public bodies, or individuals, which may or may not be repaid; and such large items as the provision of additional rolling-stock for Railways and the like, which may long be a cause of additional charge.

“Without troubling the Council with further details, I have said enough to show that the actual cost of a famine must, to the end, be the subject of estimate rather than account.

“The Bengal famine of 1874 is, in this way, estimated to have cost £6,750,000, and the famine in Southern India, which in March last was expected to cost £5,250,000, is now estimated to cost £9,250,000, making a charge of £16,000,000 for famine relief in the five years from 1873 to 1878.

“The serious character of such a fact can hardly be exaggerated; its gravity becomes more apparent when it is understood that, by the end of the current year, the public debt of India will be larger by at least £16,000,000, and the annual charge for interest by £610,000, than they would have been if there had been no famine in these five years. I make no attempt to estimate the vast waste of private capital due to the same causes.

“Happily, there are grounds for believing that this has been a period of exceptional disaster. Famines are, indeed, so far from being uncommon occurrences in India, that scarcely a year passes without distress in some part of the country; but their frequency, severity and extent during the last few years have exceeded what past experience would lead us to expect hereafter. Moreover, we trust that we are constantly learning more of the best and most economical way of dealing with these calamities; that every famine wisely administered will leave behind it works which will tend to make similar future difficulties less serious and less costly; that the material improvements we otherwise continue to make will enable the country to bear the effects of drought more and more easily, and we may hope that the cost of famine relief will hence be less in the future than it has been in the past.

“Making all allowances for these considerations, I cannot now venture to estimate the yearly average cost of famines in loss of Revenue and actual expenditure at less than £1,500,000. This amount has necessarily been arrived at in a somewhat arbitrary manner, and it will be seen to correspond approximately with the sum that would be requisite to distribute the charges of the last five years over a period of ten years. It will remain for the Government in the future to reconsider, from time to time, the practical result of the assumption which we are now constrained to make on what are necessarily imperfect grounds, and to take all requisite steps in the way of correcting any error into which further experience may indicate that we have fallen, either in the one direction or the other.

“What, then, we have now to do is to improve our financial condition as it was at the beginning of the present year, by £1,500,000 a year on account of famine alone. This, however, is not all.

“Successive Secretaries of State have urged the Government of India to provide a margin on our annual estimates of from half-a-million to a million sterling, some such moderate surplus on the ordinary account being obviously necessary to enable us to meet those contingencies to which every great Government is always liable, and which cannot be foreseen, and to provide the means of carrying out administrative and other improvements. The latest injunction upon this subject was given in a Despatch of October 1877, reviewing the financial arrangements of the present year, which contained also the renewed recognition by Her Majesty’s Government of the duty of making definite provision for the cost of famine. Inasmuch, therefore, as at the time when the present famine began, our income did little more than suffice to meet the charges, even if that was secured, I consider that our Revenues were on the whole about £2,000,000 a year short of what was necessary. We required £1,500,000 for famine, and, at the very least, £500,000 of ordinary surplus.

“In considering how to discharge its weighty responsibility for securing financial equilibrium in such circumstances, the Government of India first turned its attention to the possibility of effecting reductions in the Public Expenditure.

“Excluding famine relief and Public Works treated as Extraordinary, the yearly gross cost of the administration of British India is now between £48,000,000 and £49,000,000, and the net cost, after subtracting from those sums the amounts that may be more properly treated as deductions from charge than receipts of

income, is between £37,000,000 and £38,000,000. These are large sums in themselves; but if we consider the vastness of the Empire, which includes a territory little less than the whole of Europe excluding Russia, the costliness of a foreign administration, especially of a foreign military equipment, in an uncongenial climate, and, what is more pleasant to contemplate, the growing intelligence, the growing civilisation, and therefore the growing wants of the people, I do not think that the cost of the administration can be deemed extravagant.

“In the Minute attached to my Financial Statement, I calculated the true net expenditure upon the Army in each of the years 1876-77 and 1877-78 to be upwards of £17,000,000, or nearly 45 per cent. of the whole net expenditure of the Empire, excluding famine and Reproductive Works. Of the remaining £21,000,000, about £6,750,000 is for net interest on the public debt and on the capital of the Guaranteed Railways after setting off their net traffic earnings; and £3,750,000 is the net grant for ordinary Public Works. There remains net £10,500,000 for the general civil administration and government of our vast population, which amounts to 185 millions, excluding the people of our feudatory States. No great saving can be expected in this part of the Public Expenditure.

“Nevertheless, as is well known to the Council, efforts to reduce the Civil charges have never been wanting. On the contrary, they have been made persistently again and again, and will certainly not now be abandoned. I had the satisfaction of showing, in March last, that excluding famine relief and Loss by Exchange—an element practically beyond our control—a reduction of the net Civil Expenditure had been effected in the seven years from 1869 to 1876, amounting to no less than £1,500,000 a year. This fact justifies me in asking the Council and the public to trust in the determination of the Government of India to spare no pains to keep down the demands upon the Public Treasury for the Civil Services.

“In giving effect to this policy in the past, the Government of India has found a powerful instrument in the system of Provincial Finance introduced by the Earl of Mayo in 1870, under which the Government of India renounced interference in the detailed administration of many services, granting the Local Governments a permanent but fixed income to cover their cost. The saving to the Imperial Treasury effected upon the first introduction of this scheme was £330,000 a year. Its further development this year has already produced an additional saving of £169,000.

Thus, a positive saving to the taxpayer of nearly £500,000 has already resulted from this policy, and this will certainly be increased hereafter. Moreover, the demands from the Local Governments on account of these services, as I showed in March, had, till the change of system was adopted, been constantly growing; the cost of the services transferred in 1870 had risen from £5,100,000 in 1863-64 to upwards of £6,000,000 in 1869-70. All further increase of such demands has been stopped, if not for ever, at least to a great extent and for a long time to come.

“The public may very well be financially content with the arrangements thus made. Under them the greater part of the Civil Services proper, costing, as I have estimated, with ordinary Public Works, £14,250,000, either have already been, or will shortly be, entrusted, with fixed grants, to the Provincial Governments. In this branch of the public outlay, it is, I am satisfied, visionary to think of obtaining any important reduction. It is true that irresponsible persons find it easy to declaim as to the possibility of enforcing large economies. But I fearlessly challenge any one having a sufficient knowledge of the real requirements of the administration to indicate any branch of the Civil Services of which it would not be far easier to give substantial proofs that more money is required for it than the converse. No one, I think, can doubt that I personally should feel my task rendered infinitely lighter and more agreeable if I could see relief in this direction, or that I should have hesitated to seek it there, if it had been really practicable.

“As to that part of the Expenditure which arises from the payment of interest on ordinary debt, and on capital laid out on productive Public Works, as well as that which is required for the current demands for Public Works, a little consideration will show that, at all events, no reduction of charge can be looked for. The heavy burden of the recent famine has added not far from £400,000 to the charges on account of our ordinary debt. Further, so long as a policy prevails which requires of us the prosecution of works of internal improvement on a scale commensurate with the growing wants of the agriculture and commerce of the country,—a policy which we strongly hold,—we cannot, for the present at least, safely look for any diminution of charge for interest on this account. The charge for the Guaranteed Railways, at one time so onerous, has, of late years, it is true diminished rapidly, so that we have a good hope that in the current year it may disappear altogether. This last result, if it occurs, will no doubt be to some extent rather apparent than real, being attributable largely to the famine traffic, which is calculated to have added altogether about £600,000 to the Government share of the Net

Traffic Earnings of the Railways, £300,000 of which falls into the current year. It would be too much, however, to expect that we shall be, as yet, finally emancipated from all burdens on account of these great undertakings; but we may confidently hope that the charge will continue to diminish and will eventually disappear altogether: the fact is full of hope for India. At the same time, it must be remembered that we are constantly undertaking fresh and heavy burdens of this character, so that it is only prudent to reserve any margin which we may obtain from the income of our existing Public Works as security for the outturn of future works, which, however carefully devised, may sometimes disappoint expectations. Neither can any diminution be hoped for in the Ordinary Public Works Charges, which include the necessarily increasing burdens due to meeting the constantly increasing wants of our administration and demands for works of internal communication and irrigation, any falling off in the efficacy of which would instantly re-act on the public security and prosperity. The transfer of the bulk of this class of objects to provincial management provides the best, indeed the only possible, safeguard against the undue increase of charge on their account, while it gives due protection to the interests they are designed to subserve.

“Turning to the military expenditure, I examined in some detail in my Minute laid before the Council on the 15th March, the accounts of the Army. I showed that it now costs upwards of £17,000,000 a year; that its cost has increased by upwards of £1,000,000 since 1875-76; and that a large share of this increase is in the expenditure recorded in the Home Accounts.

“I need not recapitulate the details thus reviewed, but I will repeat the conclusion which I then stated as follows:—

“The Government of India must certainly endeavour to find the means of meeting the increased Military charges, some of which are apparently inevitable, by economies in other departments of the Military Service; this endeavour must be largely dependent for success upon the support of Her Majesty’s Government. I do not assert that the whole of the additional expenditure on the Army has not been incurred for excellent objects, or that it could have been avoided; but, that the Indian Revenues are liable to have great charges thrown upon them without the Government of India being consulted, and almost without any power of remonstrance, is a fact the gravity of which can hardly be exaggerated.”

“We have not neglected this matter during the year; it has been the subject of elaborate enquiry, the results of which have still to be considered. Whether we shall be able to carry out reductions which some high authorities have advocated, depends upon considerations, the effect of which on the ultimate conclusions of the Government I cannot now foresee. Judging from

the past, we may esteem ourselves fortunate if further additions to the Home Military charges are not thrown upon us; but what is possible on our part to prevent such a result shall certainly be done. We know that we may rely upon the support of the Secretary of State in securing this object, and we may hope that some reconsideration of the burden thrown upon us on account of this branch of charge may be found possible, which shall lead to an arrangement more consistent with our own views of what is equitable to India. Meanwhile, for its immediate need, the Government of India can plainly not count upon any material saving in our military charges.

“Present reduction of expenditure thus appearing impracticable, we next examined carefully the prospects of our present sources of Revenue, but found no grounds for reckoning upon any certain material increase in their yield. The Revenue from Customs Duties, both on inland and sea-borne trade, so far from increasing, must rather be expected to diminish. How soon, and to what extent, we shall be able to carry out the important, and in my own opinion most necessary, reform in regard to the Cotton Duties which has now been enjoined upon us by Her Majesty’s Government, supported by a unanimous vote of the House of Commons, and other reforms less disputed and not less urgent, I am now unable to foresee; but at least it is unlikely that the Government of India will be able to increase its Customs Revenues. The imposition of an Excise Duty on Indian cotton manufactures, has not appeared to us to call for serious attention. For though I might recognize the force of arguments in favour of such taxation if the Import duties on foreign cotton goods were to be maintained as a permanent part of our fiscal system, yet in the face of the repeated and plainly expressed views of Her Majesty’s Government and Parliament, the matter presents itself in a totally different aspect.

“The measures which I shall presently propose for the equalisation and better collection of the Salt Tax will, if sanctioned by the Council, doubtless yield us, for the time, an increase of Revenue; but, as I shall explain further on, this increase cannot be looked on as permanent, and I must decline to reckon it among the permanent assets to be set against the liabilities for which we have now to provide. The eventual object of our policy as regards Salt is rather the reduction, than the enhancement, of the duty, and to enable the people to procure a full supply of salt at the cheapest rate consistent with our financial necessities.

“The greater part of the increase which is to be anticipated during the next few years from the normal growth of the Revenues under the Heads of Excise and Stamps, we have discounted in the arrangements for the administra-

tion by the Provincial Governments of these branches of the Revenue; and, though some further improvement in the Revenue from Stamps is expected to follow upon the consolidation and revision of the Law now under the consideration of this Council, the amount is uncertain, and not likely to be important.

“The increased Revenues which the Local Governments have undertaken to provide with effect from the beginning of this year amount already to £78,000 a year.

“The recent measures for extending the interests and responsibilities of the Provincial Governments in respect to the financial administration, will doubtless give considerable relief to the Imperial Exchequer. This great reform is not yet complete, and its precise results cannot yet be stated, but it may be expected in all to improve the balance sheet by a sum not far from £100,000, and no portion of this sum is derived from fresh taxation. This is irrespective of the £330,000 which was the first-fruit of Lord Mayo's original measure; and thus we shall have gained, without imposing any fresh burdens on the country, a virtual addition of about three-quarters of a million to our annual resources. Your Lordship and the Council will agree with me in thinking it highly satisfactory that such important financial advantages should have been produced by a policy from which we anticipate a great increase of administrative efficiency.

“Before proceeding further, I wish to refer to suggestions which have been made in England, that, upon occasions of urgent need, assistance should be given to British India from the public resources of the United Kingdom.

“When the humanity of our countrymen at home prompts them to offer charitable assistance to their suffering fellow-subjects here in the time of their distress, we welcome the generous impulse, because such liberality must tend to unite the people of India to those of Great Britain by the bonds of gratitude. It will be interesting to the Council to know that, besides large charities distributed through private channels, the Madras Famine Committee has already received, in this way, no less a sum than £700,000, which is expected ultimately to be increased to nearly £750,000. Of the sum already received, £600,000 came from the United Kingdom, and £80,000 from British Colonies. The Indian subscriptions have amounted to £23,000. As Englishmen, we are proud of such splendid national generosity.

“But for my own part, I am not prepared to say that I should welcome as enthusiastically a grant from the British Exchequer in support of our burdened

Revenues. I appreciate the kindly spirit which prompted the thought, but shall not be sorry if Her Majesty's Government do not see their way to propose any such assignment.

“I believe that India is well able to bear her own burdens, and we should not be wise so far to sacrifice her financial independence as to accept assistance even from England. National self-reliance is essential for national self-respect, and whatever differences of opinion there may be as to the best way of meeting our difficulties, there will, I am confident, be perfect unanimity that they must be borne by ourselves, and not by our neighbours. I concur, then, with those friends of India who, at home, have deprecated the grant of such assistance; and would rather urge that, in dealing with questions which arise when the separate pecuniary interests of the two countries come into apparent conflict, as, for instance, in apportioning the cost of the British Army between England and India,—England should be strictly just, may I not even say that she should be generous, to this comparatively poor country. India may claim such generous justice without sacrificing her national self-respect; and I venture to believe that she will not claim it in vain.

“I will not detain the Council by detailing the several methods of taxation which we have considered in our present need only to reject them. We have thought of taxes on tobacco, of succession duties, of taxes on marriage expenses, and of other taxes which I will not now enumerate. Some of these appear to me to be in themselves open to little objection, but none of them would give us the increased Revenue which we require, and the Government has felt that a time when we are proposing to place fresh burdens on the people is not opportune for trying new experiments in taxation.

“One Tax remains of which I must necessarily speak. I refer to the Income Tax.

“I said last March that when the Income Tax disappeared, I regretted its loss, but that the Government of India had entertained no thought of restoring it. In spite of all the rumours that we have heard, this is still true. I anticipate no great dissatisfaction at the announcement I now make of the decision of the Government, that the re-imposition of the Income Tax shall not now be proposed. It will not be necessary, I think, for me to enter at any length on the grounds for this decision. Although an Income Tax has been advocated in many quarters, the Government has not had any idea of adopting such advice. And for myself I will add, that though I was a supporter of that Tax while it remained in force, and though I am far from saying that circumstances may

not hereafter arise which will justify or compel its restoration, yet I have not failed to recognize the fact that at the present time such a course would neither be politic nor just. I think, however, that it should be remembered, that if the measures which I am about to propose to the Council be not approved, an Income Tax is the sole alternative that remains. I at least can see no other. Much more than the sum which we now require has been raised before by an Income Tax, and there can be no question that this could be done again.

“I have already briefly stated to the Council the reasons which have led the Government to the opinion that at the beginning of the present famine we required an improvement of about £2,000,000 a year in our financial position—£1,500,000 on account of famine, and £500,000 as a margin to meet ordinary contingencies. A few more words of explanation may, perhaps, usefully be added.

“The accounts of the actual Revenue and Expenditure of the Empire during the seven years ending with 1875-76 show that, excluding the cost of famine relief, we had just managed to pay our way. These results having been based on the actual accounts of seven years, are far more valuable than any which we could draw from an examination of the figures for any particular year; but the estimates for the current year, which I laid before the Council last March, illustrate the same fact, that before the commencement of the present famine, our finances might be considered to be nearly in a condition of equilibrium. The estimates showed that, putting aside expenditure on famine, we expected to end the year with a surplus of about £900,000. But of this sum, £520,000 was provided by the measures taken at the beginning of the year for increasing our income, so that if there had been no such measures, there would have been an apparent surplus of only about £400,000. The famine, however, will probably lead to a permanent addition of nearly £400,000 a year to our annual charges on account of interest on debt, so that the apparent surplus of £400,000 vanishes. This result, however, has still to be further modified if we seek to arrive at the balance between the present normal or average annual income and charge from the estimates of this single year. Correcting the figures by making allowances for receipts which do not constitute such normal income and payments not having a character of normal charge, we should arrive at a deficit of about a quarter of a million for the current year, instead of any surplus. These figures, based on the estimates of a single year, are not worth very much; but I think they serve usefully to illustrate the fact which I desire to make plain to the Council, that, apart from the measures

taken in March last, our annual receipts were hardly sufficient to cover our expenditure.

“I will now explain what we have done already towards providing the £1,500,000 for famine, and what we propose to do hereafter.

“The measures of financial decentralisation taken during the present year will, as I have stated to the Council, give, when they are complete, a relief of some £400,000 a year without any addition to the burdens of the people. Thus, out of the £1,500,000, we have already provided £400,000 in the most satisfactory way possible, and we have only to provide the remaining sum of £1,100,000. It being, in our judgment, impossible to obtain any substantial portion of this amount by other means, it had to be raised by fresh taxation. There has, however, already been imposed in the current year, by the measures taken last March, additional taxation to the extent of £300,000 in the Bengal Presidency. This was the only part of India with which we then could deal, because famine was raging in Madras and Bombay. Thus, there now only remains for us to provide on account of famine about £800,000 by new taxation. I will now tell the Council how it is proposed to obtain this money, first speaking of the measures contemplated for the Bengal Presidency.

“When I endeavoured to explain to the Council nine months ago the measures taken by the Government at the beginning of the present financial year, I pointed out that the essential principles underlying the whole of the changes of system then made were these: we asserted the necessity of enforcing, so far as this was practicable, the responsibility of every great Province of the Empire for meeting its own local wants; we gave to the Local Governments largely increased powers; we gave them, for the first time, a direct interest in the development of the Revenues, and we gave them, at the same time, strong incentives to economy. And among the responsibilities thus transferred to the Local Governments, we included one, perhaps, the greatest and the most important of all, that of providing the means of protecting the people of their own Provinces against famine, and of meeting, to the full extent of what was possible, the cost of relief when famine actually occurred. To this policy we firmly adhere. It has received the cordial approval of Her Majesty's Government in its main outlines, and through its extension and development it is that we propose to apply the measures we now contemplate.

“The measures and the changes of system which the adoption of such a policy involved, were too large and too numerous to be carried out all at once, and with famine over a great portion of Southern and Western India, very

much had to be left undone which might otherwise have been undertaken. A great step, however, was made. Irrigation works and railways are the principal material means by which famine can be prevented and relieved. The Government of India declared that each Province must, to the utmost of its power, pay for works of this kind, undertaken for its own protection, and we have made fair progress in the actual enforcement of this rule.

“In Bengal and in the North-Western Provinces, the whole responsibility for the cost incurred in the past and to be incurred in the future, on the construction of canals and railways of provincial utility, was imposed on the Local Governments and accepted by them with thorough and loyal approval. In those Provinces, our measures, so far as they relate to the provision of means for meeting the cost of public works, have been already carried out, and the time is not distant when they will be everywhere in operation.

“To prevent or to mitigate the worst effects of drought and so to remove within certain limits the risk of famine, by the construction of canals and railways, is a comparatively easy task. It is mainly a question of money. To relieve famines when they have actually come upon us (and in the present condition of India their occurrence from time to time is inevitable) is far more difficult and far more costly. How difficult and costly it is, we have unfortunately had of late years ample experience.

“The necessity of localising, so far as may be practicable, the responsibility of the people in every part of India for providing the means of their own support in time of scarcity has, as the Council is aware, been repeatedly urged by the Secretary of State and acknowledged by the Government of India. To use the words of a despatch from Lord Salisbury relating to the Bengal famine,—‘While we fully admit the obligation which rests upon the State of preserving the lives of the people, it cannot be doubted that the primary responsibility for providing for their own support ought to rest upon the people themselves. The duty of the State does not extend further than to see that the needful means are supplied for giving effect to this principle, and for distributing the local burdens arising from its practical application in the manner which shall be most equitable, and least onerous to those who have to bear them.’

“This question of how local resources can best be made to meet local wants in time of famine, is obviously one of extreme difficulty. When I made my last Financial Statement, I said that the Government did not pretend to have solved it, and that we had, at best, only taken a step in the right direction by throwing upon each Province the responsibility for meeting the charges necessary for providing the public works required

for the protection against famine of its own people. I said that we had thus given practical recognition to the principle on which the Secretary of State had insisted, and had obtained, to a certain extent, though far from completely, that safeguard for the Imperial Revenues which is so necessary. The Government has continued to give to this subject its anxious attention. The problem is still far from being fully solved, but I will now explain to the Council the further measures which we propose to take, by which, while re-affirming the principle of local responsibility, we hope, by degrees, to place the country in the best possible position to avert the extreme consequences of aggravated seasons of drought, while we obtain that safeguard for the Imperial Revenues of which I have just been speaking.

“If we were simply to lay down a rule that every Province shall meet, hereafter, from its own separate resources the cost of each particular famine by which it has been attacked, the rule would be one which it would be often impossible to enforce. What is necessary, therefore, is to establish some system of mutual assurance, as I may term it, under which all parts of the country, while primarily responsible for supplying the wants which arise within their own area, will contribute towards the relief of other parts on which famine may actually fall. In this spirit our present proposals are framed. Resources will be created from which the central authority will draw whatever sum is found to be requisite to discharge the obligations arising from what I may term the dead-weight of famine expenditure. We can hardly now anticipate that when this has been done our exigencies will be found to have left much margin; yet, so far as it may be obtained, the Provincial Governments will derive from it increased means for carrying out the new duties thrown upon them, of making financial provision for the works of improvement best suited to ward off the direct effects of scarcity, and dangers of ensuing famine.)

“There is certainly no class in the whole community which might not equitably be made to contribute for such a purpose as this, and, if I were now advocating the imposition of a wide-spread Income Tax, from which no sort of property or income should escape, it would not be difficult to find excellent reasons for the proposal. The expediency or in expediency of an Income Tax is, however, a question which, as I have already said, I do not now think it necessary to discuss. It cannot, I think, be denied, even by the warmest supporters of such a tax, that there are, at the present time, special causes which would render its imposition undesirable, and the Government believes that the money which we want may be obtained with less objection in another way.

“When, in March last, the Government proposed to improve our financial position, it showed, by the measures which it introduced and which have since become law, that there were in its opinion two great classes of the community on which the duty of contributing for the prevention of famine more especially fell. The mere fact that the agricultural classes constitute by far the greater portion of the population, and, when famine occurs, form the great majority of those who require relief, is alone sufficient to show that these classes ought to pay their quota of the sum required for their own protection. To say that the people (to quote again the words of the Secretary of State) ought ‘themselves to provide for their own support and well-being,’ and then to say that the agricultural classes shall be exempted from payment, would be equivalent to saying that the principle laid down was to remain a dead letter. It would have really no meaning at all.

“The next very numerous class, although of course a small class compared to that of the agriculturists, is the class of traders and artisans. Although prosperous in ordinary times, this is a class on which, when famine occurs, pressure is the first to fall, and it ought to contribute for its own protection. Not only does it now contribute nothing for this purpose, but it is notorious that, throughout nearly the whole of India, although there is no class which benefits so greatly from our rule, there is none which bears so insignificant a share of the expenses of the State. Nor I think can we avoid the conclusion that there is hardly any part of India which does not in one shape or other, or at some time, either feel directly the pressure of the severe droughts to which the country as a whole is liable, or, by indirectly deriving benefits from the rise of prices consequent on local scarcity, does not render itself justly subject to contributing to the common insurance fund.

“The justice of imposing new burdens on the agricultural classes will possibly be more questioned than that of imposing them on the traders. I do not deny that there may be some parts of India where the land revenue is so high that it would be unwise to make fresh demands upon the land; but I confidently assert that this is not the case in those Provinces with which we are now proposing to deal. There is no greater, though no commoner, mistake than to suppose that, because the land in India yields two-fifths of the entire Revenues of the State, the part of the community that derives its support from agriculture contributes an unfairly large proportion of the public burdens. The ordinary misconceptions on this point arise from forgetfulness of the fact that the greater part of our land revenue is not taxation, but rent paid to the State as proprietor of the land, rent which, in European countries, would be absorbed by landlords with exclusive private rights of property, but which,

in India, by immemorial custom, is enjoyed by the State as the sole proprietor, or as a joint proprietor with others. There are great differences of opinion among high economic authorities as to whether this state of things is good or bad; but such differences rather refer to its secondary results than to any question of the ultimate rights of property involved, which, like all other such rights, are essentially based on established custom. In my own belief, however, India is fortunate in deriving so large a portion of her Public Revenues from such a source. It spares her the necessity of heavy taxation, and, provided of course that we do not rack-rent the land, and provided that we give to private proprietors and tenants security of tenure and an ample and assured margin of profit, India will, I think, never regret the conditions under which her landed property is held.

“I am sure that there is no one in this Council who doubts the great and increasing prosperity of the agricultural classes in nearly all parts of Northern India, which I may speak of as the Bengal Presidency. I need not speak of the permanently-settled districts of Bengal proper, where the land revenue is so small that it has often become, I may say, without exaggeration, a hardly appreciable burden. In the temporarily-settled Provinces of Upper India, the revenue assessments were, even when they were originally made, almost everywhere moderate; and they have been made with an earnest and scrupulous desire to strengthen and preserve the rights of private property, to create a valuable property in the soil where none before existed, and to give to the agricultural classes, generally, security in their tenures and moderation in their rents.

“The demand of the State, which was originally light, has become far lighter since the settlements were made; pressure goes on diminishing as the country increases in prosperity. No class has benefited so immensely as the agricultural class from the great expenditure on the roads, railways, and canals, which have brought about a complete revolution in the condition of the country. As the Government of India wrote not long ago, communications of all kinds have been multiplied; markets have been created, enlarged, and rendered permanent; irrigation has ensured the produce and well-being of the people of wide tracts which in old times were periodically desolated by drought; prices at the same time have been continually rising, and, under our permanent or long settlements, the greater portion of the enhanced value of agricultural produce accrues to those who have an interest in the soil. There is certainly no reason, in the condition of the agricultural classes, why they should not bear their share of any necessary fresh taxation for the purpose of protecting themselves and the country against famine.

“It is quite certain, I may add—and this is practically one of the most important facts of all—that we could not raise the sum of money required unless we make the agricultural classes contribute. We might of course levy our taxation upon them in a different form. We might, for instance, make a general increase to the Salt Tax. But this is a measure which I do not propose to discuss, and the Government considers it altogether out of the question. Or we might, as I before said, impose an Income Tax to which agricultural, like all other incomes, would be liable. Anyhow, there can, in my opinion, be no doubt that, in some shape or other, the land ought to pay a portion of the new burdens.

“I am quite aware of the objections which have been, and will no doubt continue to be, urged against the imposition of fresh taxation on the class interested in the land. In respect to the permanently-settled districts of Bengal, as well as to the temporarily-settled districts of Northern India, we have, for many years past, been familiar with the claims which have been made to the effect that the settlement of the land revenue has debarred the State from imposing any additional burdens on the land. It was on this ground that the zamíndárs of Bengal objected to the application of the Income Tax to their profits; it was on similar grounds that they objected to the local road cess which was imposed a few years ago, and to the new cess which has lately been introduced in furtherance of the policy of localising the responsibility for meeting the cost of works required for the protection of the country against famine.

“There is certainly no question which has been more completely argued out than this, and I am sure that the Council will not wish me to enter again into any long discussion regarding it. These questions have not only been completely and repeatedly settled by the Government of India, but they have been finally closed by the distinct and positive decision of Her Majesty's Government. That decision has been declared to the effect that the State has an undoubted right to impose on persons in possession of incomes derived from land, taxation separate and distinct from the ordinary land revenue, in order to meet the natural growth of the public requirements, local or otherwise. ‘The levying of such rates,’ the Secretary of State wrote, ‘upon the holders of land irrespective of the amount of their land assessment, involves no breach of faith upon the part of the Government, whether as regards holders of permanent or temporary tenures.’ I may add that, in the present case, the essential conditions which were laid down by Her Majesty's Government when the Duke of Argyll was Secretary of State, regarding the circumstances in which such rates as these may properly be levied, are completely fulfilled, and

it would be difficult to suggest any purpose for which they could be more equitably imposed.

“One of the main conditions laid down by Her Majesty’s Government was this, that when rates of this kind are levied at all, they ought, as far as possible, to be levied not only on the agricultural but on other classes also.”

“If time allowed I should like to read to the Council some remarks on this subject which were made by my distinguished predecessor, Sir William Muir, when he was Lieutenant-Governor of the North-Western Provinces, in the debate in 1871, when the existing Local Rates Act became law. He was then justifying the imposition of local rates on the proprietors of land in the Benares districts, which are permanently settled, and he showed that this course was just, whether the revenue settlement was permanent or for a term of years, because other property than land was already taxed for similar purposes. He said that there were in the North-Western Provinces municipalities in all the large towns, and that they raised between them an income of some 17 lakhs of rupees a year. These municipalities defray the cost of their police, their roads, their drainage, and their sanitation, and they contribute for education, dispensaries, vaccination, poor-houses, &c. These obligations are precisely similar to those for which, under the existing law, rates are levied on the land, and Sir William Muir justly maintained that the condition laid down by the Secretary of State was thus substantially fulfilled, that such taxation as this, when levied at all, should be imposed ‘upon all holders of property equally, without distinction and without exemption;’ and ‘for the future,’ Sir William Muir said, ‘no further taxation on the land would be justified unless some corresponding additional burden were placed on other property likewise.’

“While Sir William Muir urged very strongly and wisely the necessity of maintaining the inviolability of our Revenue settlements, and declared that it would be a breach of the engagements of the State to step in and say to the landholders, ‘Because,’ to use his words, ‘your profits are greater than they need be, you shall pay an extra cess,’ he no less distinctly affirmed the liability of the land to future additional taxation, provided that such taxation were imposed in just proportion to additional burdens upon other property.

“This is the principle we are now affirming by the Bills which I shall lay before the Council. We hold with Sir William Muir (and exactly the same may be said in regard to the other provinces of Northern India) that the previously existing rates on the land in the North-Western Provinces are compensated and made equitable by a corresponding rate levied upon other classes of

property. And when, therefore, we now impose additional taxation upon the country, acting on this just principle, we propose to place upon the land an obligation equivalent, so far as may be, to that which other kinds of property will have to bear. The same rule will be applied to Bengal by the measures which my honourable friend the Lieutenant-Governor proposes to take. They will impose upon the non-agricultural classes, so far as this is practicable, rates which will correspond with the rates already levied from the land.

“The form of our proposed new taxation on the land in Northern India will be similar in principle to that lately adopted in Bengal. We shall simply make an addition to the local rates already levied.

“In the case of the taxation which we propose to levy on the commercial and industrial classes, the assumption, as I shall presently explain, is that, under no circumstances, can the burden imposed fall at a heavier rate than 2 per cent. on a man's profits. In the Bills which I am about to lay before the Council, we apply a corresponding rate to the agricultural classes; but, following the precedent of the old Income Tax, we do this in a manner which will really be, as a general rule, favourable to them. The settlements of the land revenue throughout Northern India are based on the assumption that the State is entitled to one-half of the rental of the land; but the proportion which the Government actually takes has notoriously, in the majority of cases, become smaller than this. The existing local rates in Northern India do not vary very greatly in the different Provinces. In the North-Western Provinces, which may be taken as representing the general case, the total amount of the rates levied for local purposes was 5 per cent. on the gross annual rental of the land, and to this amount we now propose to make an addition of 1 per cent. Thus, under the assumption which I have just stated, that one-half of the rental goes to the State, the maximum rate at which the new tax will fall upon net annual profits will be 2 per cent. The burden on the two great sections of the community will then be approximately equalized, and we shall maintain the principle on which so much stress has justly been laid by the Secretary of State.

“In considering the equity of levying fresh taxation from the agricultural and commercial classes for the special purpose of meeting expenditure on account of famine, there are other points which ought not to be left out of sight. The late famine in Madras and Bombay has given us an admirable illustration of the fact that, with our present excellent system of communications, which goes on improving almost from day to day, serious and wide-spread famine in one portion of the Empire brings wealth and pros-

perity to a very large section of the agricultural and commercial communities in other Provinces.

“India is so vast, and the physical characteristics of its Provinces are so diverse, that famine has never visited, and, we may reasonably hope, never will visit, the whole country at once. If famine prevails in Bengal and Bihár, there are bountiful harvests in Burma, Madras, and the Panjáb. If crops fail in Madras and the Dekkhan, the surplus food of Bengal, and Central India, and the North-West is at once poured into the afflicted country. Even in a famine-stricken Province the irrigated lands furnish surplus food which the owners sell at a great profit.

“It has, I trust, now been accepted as one of the most certain and fundamental maxims of our policy in dealing with famine, that, except under circumstances the occurrence of which on a large scale is to the last degree improbable, the Government must abstain absolutely from all interference with trade, and that this is the only way in which we can feel confident that everything which it is possible to do to bring food to the starving population will be done. The Government of India has acted consistently upon this principle throughout the late famine.” The result has been that, as the demand arose for an additional supply of food from without, the agriculturists and the traders of the most distant parts of the Empire, prompted by the hope of gain, hastened to pour their surplus stocks into the distressed Provinces of the south. Never in the history of India has such a spectacle been presented as that which we have seen during the last few months; railway stations in districts 2,000 miles away encumbered with grain awaiting the means of transport, and our ports filled with ships destined to bear to the starving millions the plenty of happier regions. My friend the Lieutenant-Governor will, I think, bear me out when I say that never has the Ganges or the port of Calcutta been the scene of such an active trade as it was during August and September last, when the grain traffic to Madras was at its height.

“There could hardly be a better illustration of the immense activity in the trade in grain during the late famine than that which is afforded by a comparison of the receipts on our Indian Railways during what I may call the famine year and the year which preceded it.

“The receipts on the whole of our Guaranteed and State Railways from 1st October 1875 to 30th September 1876 amounted to £8,700,000. In the corresponding period for 1876-77, they amounted to £12,000,000, and the increase has been spread over every one of the Lines without exception. I do not propose to

dilate on the immense advantages which these Railways have conferred upon India during the late great calamity. This would be foreign to my present purpose. But having mentioned these Railways, I will ask you not to forget that at least four-fifths of the food imported into the famine country travelled over them, and I believe that the average journey made by each bag of grain was hardly less than 500 miles. When it is remembered that barely one quarter of this food could have reached the Famine Districts at all without the Railways, some idea may be formed of the millions of lives they have saved, and of the priceless boon they have conferred upon the country. A great Engineer, for whose services to India no one can have a higher esteem than I have, asserted, a short time ago, that the Railways were causing to India a loss of 3 millions a year. The facts that I have just given are a sufficient comment on such a statement, but it leads me to repeat, what I before mentioned, that we now have good grounds for hoping that the net earnings of our Railways during the year 1877 (including the receipts from the famine traffic) will suffice to pay the whole of the interest on the capital which has been expended on all the Guaranteed Railways, and that no burden on their account will be imposed on our Treasury.

“During the past year, more than a million-and-a-half tons of food have been carried into the famine districts from other parts of India. The profits on this great trade, after paying all expenses of carriage, have been estimated on what appear to be fair grounds at not less than 40 rupees a ton, and I believe that I am understating the fact if I estimate that the producing and trading classes have made a clear profit of 6 millions sterling on this business of supplying grain to the famine districts.

“Before leaving this part of my subject, I must add that, when the dark shadow of famine hung over the North-Western Provinces and the Panjáb in September last—a shadow which has been happily dispelled—there were many signs that all classes had learnt an important lesson from the history of 1877, and that they trusted the Government to act up to its avowed principles and leave the trade in grain unfettered. Not only traders, but people of all classes, rushed into the grain market and bought up food for future need or for future sale. In this way prices went up very suddenly, it is true; but high prices are, at such times, the salvation of a country. Consumption not essential is sternly checked, and the reduction of stocks is lessened, until the rise of prices, with the accompanying prospect of profits to producers and traders leads to importations from without. Such were the effects at the time to which I refer, and they supplied by a perfectly natural process the first

precautions which were called for. I know how difficult and tedious a work it is to eradicate from the minds of men and of Governments, which, after all, consist of men, false economical beliefs, and I will venture on no prophecies in regard to the future. But I can, for my part, conceive no stronger evidence than that which the late famine has given us of the ruinous impolicy, at such times, of interference by Government with the operations of private trade. Happily for India, all proposals to depart from this principle were rejected, and the event has shown that the supply of food has never failed.

“It is true that, in one instance, the Government somewhat departed from its resolution to leave trade absolutely free. It gave the traffic in grain consigned to the famine districts preference over all other traffic on the Railways, and complaint has been made that injury was thus caused to the export trade of the port of Bombay. I do not think it necessary to defend this decision, and I think that all disinterested persons will say that, so long as there appeared imminent risk of multitudes of people starving if food were not sent to them, the Government was right in saying that consignments of grain should take precedence of consignments of other commodities. But I cannot doubt that the temporary falling off during the late famine in the export trade of Bombay was mainly, if not entirely, due to general, rather than to any special causes. It was inevitable that an almost complete failure of crops throughout a great portion of the Dekkhan and Mahrátha country which usually sends its surplus produce to Bombay should have its effect in reducing the exports from that port. The trade reports received from Bombay entirely corroborate this view, and indicate that the same causes had a very general operation; so that, speaking for myself, on the information at my command, which is possibly imperfect, I am forced to the conclusion that if the Government had not interfered at all, the ultimate results would not have been materially different from those that actually happened. And I see in this a complete confirmation of the wisdom of the principle of non-interference we have adopted, and an encouragement for the future to leave it on all similar occasions to its fullest operation.

“Let me add that the export of wheat from India to Europe was, during the famine year, larger than ever. During the year ending 30th September 1876, 198,000 tons of wheat were exported, while, in the year ending 30th September 1877, the quantity amounted to 394,000 tons. In Southern India the great mass of the people never eat wheat at all. This explains why, notwithstanding the demand for food in the famine country, the export of wheat from India to Europe could, during the year just passed, become, without difficulty, twice as large as it ever was before. The export of rice to Europe,

on the other hand, has decreased, for rice is one of the staple foods of the population of Southern India.

“I will not apologise for this long digression. I have thought it necessary to refer prominently to the question of non-interference with private trade in time of famine, because it has an intimate connection with my argument in favour of throwing upon the agricultural and commercial classes the chief responsibility for meeting the charges required for the protection of the country against famine, and because the wisdom of the policy of non-interference has, during the past year, been proved by facts which are absolutely irrefutable. .

“I am told, on the highest authority, that never perhaps within the memory of man has there been seen in Bengal anything like the general prosperity which now prevails among almost all classes; and this prosperity has been immensely stimulated by the influx of money, and the great demands on the produce and industry of the Province which have arisen from the famine in Madras. Agriculture, trade, and the industrial arts have alike benefited. But it is not to be overlooked that there is one class which does not share in this general prosperity, or which shares very little in it, the class which depends on fixed incomes for its support, or whose incomes are little affected by competition. The small officials and others subsisting on wages the amount of which they are powerless to regulate, suffer in particular from the high prices which prevail, and which serve to enrich the producing and trading classes. There are, I think, other reasons which make it equitable that the obligation of providing for the relief of famine should fall as lightly as possible on the class of which I have just been speaking, and indeed on the professional classes generally. In times of serious famine no large proportion of these come upon the relief which the Government has to administer. The poorer field labourers in the villages, and the poorer members of the trading and industrial classes in the towns, are the first section of the population which suffers, and, even when famine is at its height, the mass of the people receiving relief are field labourers, petty ryots, and artisans. Very few priests, and lawyers, and schoolmasters, and people with fixed incomes, actually demand Government relief, although they may feel sorely the pressure of famine prices. This class with more or less fixed incomes, then, although we cannot relieve it, will have no fresh burdens imposed upon it by the measures which we now desire to take.

“The principle that it was on the agricultural and commercial and industrial classes that the main burden of providing for their own protection

against famine must fall, was recognised and partially enforced by the legislative measures adopted at the beginning of the present financial year. So far as the agricultural classes are concerned, it was carried into effect in Bengal by the imposition of a cess upon land in order to enable the Government to meet the charges incurred on account of the Canals and Railways required for the protection of the Province against famine, and by making the demand in addition to the local rates it was shown clearly that the Government desired to enforce, and to bring home to the minds of the people, the special objects with which the new demand was made. The agricultural classes of Bengal are now paying about £280,000 a year for their protection against famine. The same principle was affirmed, although I can hardly say that practical effect has been given to it, in the North-Western Provinces, by the Act which was passed in March last (No. 7 of 1877) for enabling the Local Government to appropriate, on account of provincial Railways and Canals, a portion of the existing local rates upon land. That Act recognised the principle that the land throughout the whole Province ought to be made to contribute towards the prevention of Famine. The liability of the commercial classes to contribute for this purpose was, at the same time, declared in the North-Western Provinces by the License Tax upon trades which was imposed by Act 8 of 1877. In Bengal no similar law was enacted; but my Honourable friend the Lieutenant-Governor, when the land cess was under discussion in the Bengal Legislative Council, stated very plainly the probability that this measure would soon be followed up by a tax on the trading classes.

“We now propose to supplement the measures of March last. In Bengal we have got already our tax upon the land; we now desire to impose a corresponding tax on the commercial classes. In the North-Western Provinces we have got already a tax on the commercial classes; we propose to develop it and supplement it by a tax on the land. In the Panjáb, in Oudh, and in the other parts of India mentioned in the Bill which I am asking leave to introduce, there has been no fresh taxation; we now wish to impose similar new taxes in those Provinces, both on the commercial classes and on the land. The amount and incidence of these taxes must more or less vary according to the circumstances of different Provinces; but, if our measures receive the approval of the Council, the same principle will have been carried out in all parts of the Bengal Presidency.

“I shall not have to occupy much time in describing the details of the measures which we propose, for they are extremely simple. The License Tax introduced into the North-Western Provinces by Act 8 of 1877 has, so far as our short experience enables us to judge, worked very satisfactorily. It has given

rise to no complaints of any importance, and, under the excellent administration of the Government of the North-Western Provinces and its officers, it promises, without the least pressure or harshness, to yield a good deal more revenue than was anticipated. We think, however, that the tax may be made more equitable and at the same time more profitable, by a few changes, and those changes are moreover necessary to make the tax in the North-Western Provinces harmonise with the measures which we shall have to take elsewhere. Under the existing Act, a simple rate of license fee is fixed for each trade without any reference to the extent of the transactions which may be carried on. Thus every one called a Banker pays 16 Rupees a year, whether he deals with millions or carries on the business of a petty money-lender. We now propose to revert to the form of the Licensing Bill originally introduced for the North-Western Provinces, and to adopt a graduated scale of assessment. Thus, for instance, traders in the first class of the Schedule will, as the Council will see, be divided into grades, the highest grade paying Rs. 200 a year, and the lowest grade one rupee. The sums levied will, in all cases, be so moderate that, even when mistakes are made in the assessment, no great hardship can occur. The Collector will usually have little difficulty, in practice, in making a classification of the traders in each class. There must of course be a good deal of inequality in all taxes of this kind, and they are always open to the objection that they press relatively less heavily on the richer than on the poorer classes. This is one of the penalties to which we have to submit as the price of our desire to avoid all inquisitorial proceedings, and of the determination to have no Income Tax. I need not describe the details of the fees proposed for each class. The Council will find them in the Schedule of the Bill. The highest amount which under any circumstances any individual or company can ever be called upon to pay annually will be Rs. 200. The lowest fee of all is one Rupee. These will be the maximum and minimum rates in every Province; but the details of classification will necessarily vary. The Schedule of the Bill has been prepared in communication with the Local Governments, but it is possible that alterations may be suggested before the Council is asked to pass the Bill into law.

“There is a provision in the Bill similar to that contained in the existing Licensing Act, to the effect that any person dissatisfied with the amount of the fee charged against him may claim to be placed in a lower grade, or be exempted from payment altogether, if he is able to produce evidence to satisfy the Collector that the amount demanded will fall at a rate exceeding 2 per cent. on his annual profits. This provision is a useful safeguard, although I do not suppose that it will be very often applied. Notwithstanding our deter-

mination to have no enquiries which would make the tax resemble an Income Tax, it is obviously necessary to have some test to which an appeal can be made if a dispute arises regarding the grade in which a man ought to be included. This test, however we may disguise the fact, must depend, in the last resort, on the amount of his estimated profits, and, provided that we confine the application of the test to those cases only in which a person considering himself aggrieved chooses to demand its application, and we leave to him the choice of the evidence by which his claim is to be supported, we reduce to a minimum the difficulties which we cannot avoid altogether. It will be the duty of the Local Governments, subject to the approval of the Government of India, to lay down rules for the guidance of the Collectors in regard to this matter. Subject to the same approval, it is proposed that the Local Governments shall define, according to the circumstances of each Province, the conditions under which persons shall be exempted altogether from the tax, on account of their poverty and presumed inability to pay, without hardship, even the lower rate of license.

“The Bills which I am about to ask leave to introduce are designed to carry out the plans which I have described, throughout the North-Western Provinces, Oudh, the Panjáb, and the Central Provinces. For the Central Provinces, however, legislation is only necessary in regard to the land. The new burden to be imposed on the commercial classes can be levied under the existing law by an addition which the Executive Government is empowered to make to the Pandharí Tax. This being an impost which has existed from time immemorial, it will be much better to make a moderate addition to it, and not introduce similar taxation in another form unfamiliar to the people. There are some other parts of India, and especially British Burma, in regard to which I cannot now make any announcement, because we have not been able to consult the local authorities as fully as we desire.

“In regard to the measures proposed for introducing the License Tax into Bengal, I will not speak in any detail, because those measures will be carried out by the Local Government. The Government of India has been in communication with the Lieutenant-Governor; and the two Governments are in complete accord. As, however, the public in this great Province will naturally be anxious to know something more on the subject, I will, with your Excellency's permission, ask His Honour to give to the Council a sketch of the plans which it is his intention to propose. I will only say, myself, that the measures taken in Bengal will be the same in principle as those described in the Bills for Northern India which I am now asking leave to introduce, and the maximum and minimum fees will also be the same.

“Thus far I have spoken only of the Provinces of the Bengal Presidency. Passing now to Madras and Bombay, I have to remark that it appears to the Government that, so far as the commercial classes are concerned, there are no reasons for applying to them a different rule to that which will be applied to the rest of India. We propose, therefore, that a License Tax, similar in principle and in amount to that which I have described, shall also be levied in those Presidencies. I am not now able to say anything of the details of the plans to be adopted, because our communications with the Local Governments on the subject are incomplete. It will probably be the wish of those Governments that the necessary measures should be taken by the Local Legislatures, and not by this Council.

“We do not, however, propose to levy in Madras and Bombay any new direct taxation on the agricultural community, similar to that which has been proposed, and to a great extent already carried out, in the Bengal Presidency. I will state to the Council the reasons for this determination.

“But before I do this, it will be convenient if I indicate the financial results of the measures which I have been explaining. I am not able at the present time to give an estimate which would show in detail, with any accuracy, the amount which our new taxes will yield. I have, however, endeavoured, by a careful examination of all accessible facts, and especially of the statistics of the old License, and Certificate, and Income Taxes imposed at various times, to form as correct a judgment on this point as possible. My conclusion is that the new taxes may be expected to yield for the whole of India something short of £800,000 a year.

“I have already shown to the Council that at the beginning of the present year new taxes to the amount of about £325,000 were imposed. Thus the total addition made to our Revenue by new taxation since the commencement of the year will be about £1,100,000.

“I have also shown that the new arrangements under which the responsibilities of the Local Governments have been extended will give, without imposing any new burdens on the country, financial relief to the extent of nearly £400,000 a year. We shall thus provide the whole sum of £1,500,000 by which our position has to be improved, to enable us to make due provision for the prevention and relief of famine.

“After, however, all this has been done, there will not remain that margin of Income over Expenditure which, as I reminded the Council, is necessary to enable us to meet those contingencies which cannot be

foreseen, but which are certain to occur. Independently of famine charges on the one hand, and of the improvement in our Revenues lately made, or now proposed, on the other hand, my conclusion was that our income, at the time which I have taken as our starting point, could not be regarded as supplying any surplus, and that there was reason to think that the balance was rather in the other direction. I said, following the views expressed by the Secretary of State, that the very smallest sum which we ought to provide in our estimates on this account as a surplus was £500,000 a year. We have still, therefore, at least this sum to make good. I will now explain the manner in which we think that this should be done, and in so doing I shall complete what has to be said regarding Madras and Bombay.

“When I made my Financial Statement, I spoke at some length on the urgent necessity for carrying into effect, with the least possible delay, a great measure of fiscal and administrative reform; perhaps the greatest reform of the kind that remains to be accomplished in India. I mean the equalisation of the Salt Duties, and the abolition of the Inland Customs line, and with it of the transit duties on Sugar, the produce of our own territories. I will not dilate on these barbarous imposts. “*Non ragioniam di lor, ma guarda e passa.*” In order to bring under taxation the salt imported from Rájputána into Northern India, and to shut out salt taxed at a lower rate, this vast system of Inland Customs Lines “stretches its length, accursed of gods and men,” some two thousand miles across the whole breadth of India. Committing, as I afterwards found, an unconscious plagiarism from Mr. Grant Duff, I described to the Council this huge barrier, which would reach from London to Constantinople, as comparable to nothing that can be named in the world except the great wall of China; a great impenetrable hedge of thorny trees, and evil plants, and stone walls, and ditches through which no man or beast can pass without being stopped and searched. Eight thousand men guard this unspeakable barrier. I have poured forth in times past such constant indignation against this abominable system, that it is difficult for me to find new terms of opprobrium. I now see, I think, the time at hand when we shall strive to banish from our recollection this anachronism and disgrace to British rule, and, if I may come back to my Poet, say of all these things “*Fama di loro il mondo esser non lassa.*”

“To get rid of these Inland Customs Lines, two things are necessary. We have to enter into arrangements with the Native States of Rájputána, which will enable us to levy our duties at the places of production, and we have to remove the great inequalities in the rates at which salt is taxed in

different parts of India. Our negotiations with the Native States of Rájputána are not completed, but they are in active progress, and there is no doubt that they will, before long, be brought to a satisfactory conclusion. There will then remain the equalisation of the duties, which now vary from 1 rupee 13 annas a maund (82 lbs.) in Madras and Bombay, to 3 rupees a maund in Northern India, and 3 rupees 4 annas a maund in Bengal. As I stated to the Council in March, the Government of India has, for many years past, never lost sight of this question, and important and effectual measures were adopted by Lord Mayo and by Lord Northbrook towards the removal of the great evils which I have been describing. But for the steps which they took, the completion of our task would not now have been brought so nearly within our reach.

“Although the necessity for equalising the Salt duties has so long been recognised by the Government of India and by Her Majesty’s Government, action has been till now in great degree prevented by the anxious desire that the object in view should be at least partially effected by a reduction of the Salt duties in the Bengal Presidency, and not only by an increase of those in Madras and Bombay. The state of our Finances has never in the past permitted, still less does it now permit, the sacrifice of Revenue which a simple measure of reduction would have involved. I said in March last that if it had been possible we should have been glad to see the rates of duties on this side of India reduced immediately to those in force in Madras and Bombay, but that I feared it would be found financially impossible to bring about the equalisation in this manner, and that we must in the first instance, and at least temporarily, increase the lower duties without reducing the higher to the full extent ultimately desired. Unfortunately, our financial difficulties continue, and although I still look forward hopefully to the time when we shall be able to relieve the people of the Bengal Presidency from the high Salt Duties which they have now to pay, it is clear that under present circumstances we can do this only to a limited extent. The object at which we aim is, as I have said before, to give to the people throughout India the means of obtaining, with the least possible inconvenience, and at the cheapest rate consistent with financial necessities, a supply of salt, the quantity of which shall be limited only by the capacity of the people for consumption.

“It is calculated that a general rate of about two rupees eight annas a maund throughout the whole of India would be necessary to produce an amount equal to the Salt Revenue which we now obtain, and whatever may be our anticipations for the future, we cannot now propose any measures which would reduce the total amount which the Salt Duties yield. For the present, there-

fore, what we aim at is such a general rate of two rupees eight annas a maund, or one anna a seer. This is something less than three farthings a pound, and it is not more than one-half of the duty levied on salt in France in 1876. The prospect of arriving at a lower rate than this is now too remote to be taken into practical consideration. The step we now propose, then, is an increase of the Salt Duties in Madras and Bombay to the extent I have named.

“A year ago the Government hoped to have soon carried out these measures for abolishing the Inland Customs line and equalising the Salt Duties; but the Famine made this impossible.

“It is true that the increase of annual taxation involved by raising the Salt Duty in Southern India to two rupees eight annas a maund would only be about two pence a head, and for the poorer classes the annual additional charge would be even less. It is true, also, that payment of the tax is distributed over the year by almost daily instalments, each of them infinitesimally small. It is also true that in the years 1859, 1860, and 1861, the Salt Duty was raised in Bengal by twelve annas a maund, and in the Upper Provinces by one rupee a maund, not only without occasioning discontent or reducing consumption, but that these measures hardly even attracted attention. The Government felt, however, that the objections to increasing the price of salt at a time of serious famine were insuperable.

“We were therefore then obliged to postpone this great reform. But the question has now been again forced on the consideration of the Government, by the necessity of providing means for meeting the great expenditure incurred in the past, and to be incurred in the future, for the prevention and relief of famine. The Presidencies of Madras and Bombay must of course bear their share of the common burden. There are no reasons of principle why taxes similar to those which we are proposing to levy in the Bengal Presidency should not also be imposed in Madras and Bombay; and, if we were now to levy those taxes, both on the commercial and on the agricultural classes, in those Presidencies, and, having done this, we were to equalise the Salt duties, it could hardly be said that we were doing anything unjust. It might be urged that there is no reason why the people of Southern and Western India, who in ordinary times are at least as prosperous as those of Bengal, should pay a lower duty on their salt, and it might be said that the existing inequality is aggravated by the fact that owing to the greater proximity of its sources of supply, salt in Madras and Bombay would, if the duty were everywhere the same, be, as a rule, considerably cheaper than in Bengal. We might be told that the necessity of increasing the Salt Duties in Madras and Bombay had been admitted and virtu-

ally resolved upon by the Government of India and by Her Majesty's Government long before any of these Famine questions arose, and that we ought not now to take into consideration the equalization of these duties in determining what amount of new taxes Madras and Bombay ought to pay on account of famine expenditure. The Government of India has decided otherwise. While it admits the necessity of making the burden of taxation as equal as possible in the different Provinces of the Empire, it does not think that it would now be right to impose fresh direct taxation on the agricultural classes in Madras and Bombay, and then make an increased demand upon them for the purpose of equalizing the Salt Duties throughout India. It is on these classes that an increase in the tax on salt will mainly fall, and, considering that these also are the classes which have had to bear the severest pressure of famine, the Government does not think that it would be expedient to levy upon them, at any rate at the present time, additional taxes similar to those which we are proposing to levy in the Bengal Presidency. Nor can we neglect the consideration of the fact that, in some parts of the Bombay Presidency, the land revenue is already so high that it would be a measure of very doubtful expediency to impose new direct taxation affecting the classes interested in the land. The Government has therefore decided that the increase of Revenue which it will derive from raising the Salt Duties in Madras and Bombay shall be held to obviate the necessity of imposing new direct taxation on the land.

“ We had feared that, while raising the Salt Duties in those Presidencies to two rupees eight annas per maund, and foregoing the fresh taxation which will be imposed in the Bengal Presidency, the state of our finances would not permit of any reduction being made in the Salt Duties of Bengal and Upper India. We find that we cannot safely estimate for a greater sum than £500,000 from the enhancement in Madras and Bombay. We are, however, most anxious to give an earnest of the sincerity of our determination to carry out the great policy which the Government of India and Her Majesty's Government have affirmed. That policy, as I have already said, aims at giving to the people throughout India an unlimited supply of salt at the cheapest possible cost. We desire to show that our main object in increasing the Madras and Bombay Salt tax is not the immediate profit to be derived from the measure. We have therefore determined to devote £200,000 out of the £500,000 to the reduction of the Salt Duties in Bengal and the Upper Provinces. We propose to reduce the Bengal rate by two annas, and that of the Upper Provinces by four annas a maund, and thus, while enhancing the cost of salt to some 47 millions of our subjects, to do something towards cheapening it to some 130 millions.

“ With the small difference of four annas per maund duty in Bombay and the Central Provinces, we are enabled, without risk, to abolish the mileage rates now levied on all salt imported by the Great Indian Peninsula Railway to the Central Provinces and Berar. These mileage duties, while necessitating the entertainment of customs establishments on the Railway to supervise the weighing and loading of every pound of salt put into the wagons, have the economic fault of enhancing the duties on the salt in direct proportion to the distance they are carried from the place of production, so that where salt is naturally dearest, it has to pay the highest duty. The effect of the abolition of this duty must be to stimulate the salt trade from Bombay by removing all restrictions and interference from it, while a sensible relief will be given to those of our subjects to whom salt is now dearer than anywhere in India.

“ Notwithstanding its anxious desire to carry into effect this great measure of reform with the least possible delay, the Government of India felt that it still remained a serious question whether it was right, at the present time, when the distress which has fallen upon the people of Southern and Western India has hardly passed away, to adopt a measure which would increase, even in the smallest degree, the price of one of the first necessaries of life.

“ We felt that we exposed ourselves to the risk of misconception and misrepresentation; and that although it was true that the additional burden thrown on the peasant of Madras could not exceed more than a few pence a year for himself and his family, it would be thought that the time was not opportune for making any increase at all to the price of salt. The Government, however, considered that it would not be satisfactory, if it were compelled to confine the announcement of the measures which it proposed to take, to those only which were to be applied in the Bengal Presidency. It was obviously impossible to give any public notice beforehand of the intention of the Government to alter the rates of the duty upon Salt. Serious loss of Revenue and serious disturbance of trade would have been the inevitable result. When we alter duties like these, it is essential that the necessary measures should be passed through the Council at a single sitting. We might of course have postponed giving any information regarding the new taxation in Madras and Bombay; but my Statement would then have been incomplete, and doubt and excitement would have continued to exist regarding the measures to be taken in those Presidencies. We thought it right to leave to the decision of the Government of Madras the question whether the necessary steps should be taken contemporaneously with those in other Provinces; and whether, the eventual increase of the Salt Duties in that Presidency being inevitable, it could give its approval and support to

their immediate adoption, or whether that Government saw valid reasons for delaying action for a few months. The decision of the Government of Madras was communicated to the Government of India in these terms, that the eventual increase being decided on, they were of opinion that the change should be simultaneous, universal, and prompt, and that there was no sufficient reason for, nor any benefit from, a few months' delay. The Government of Bombay has given its cordial approval of the measures which the Government of India has proposed to apply to that Presidency, and has concurred in the opinion that the increase in the Salt Duties should take place at once. The Government of India feels no doubt that the Local Governments are right; and, fortified by the decided opinions which they have expressed, it has resolved to ask the Council to pass at once into law the Bill for increasing the Salt Duties in Madras and Bombay which the Hon'ble Mr. Hope is about on my behalf to ask leave to introduce.

“The objections felt to dealing with these duties at the beginning of the financial year would no doubt have been almost entirely sentimental, though they would not on that account have been less real or serious; and this is a truth of which we now have direct evidence of fact, in an ascertained large increase of consumption, both in Madras and Bombay, during the past eight months of very exceptional difficulty through which the population has had to pass. In no equal period of any previous year has the consumption of salt been so large in those Presidencies.

“In regard to the reduction of the duties proposed in the Bengal Presidency, the Government possesses, under the existing law, full power to do, by executive order, all that is required. If, therefore, the Council should approve the measures suggested for Madras and Bombay, no further legislative action will be necessary.

“From these explanations it will be seen that a sum of £300,000 will be provided from the increased Salt Duties, in aid of the addition to the Revenue I had shown to be still requisite to make it up to the amount that should furnish the surplus of £500,000 deemed necessary.

“But it will at the same time be perceived that, as the avowed policy of the Government is to equalize the Salt Duties by the reduction of these duties in the Bengal Presidency, this last named addition of £300,000 will not constitute a permanent item of Revenue. On the contrary, it is our intention, as soon as the improved position of the country will admit, to carry out the long deferred equalization of these duties, which will involve the sacrifice of the

temporary increase of income which our present needs will not permit us to forego.

“It might thus appear that there still remains an uncovered deficiency for which no permanent provision has been made. The Council, however, will bear in mind that it has been established, I think beyond reasonable doubt, not only to my own satisfaction, but also to that of my predecessors in office, that we may rely on a steady increase to the general Revenues; and we have felt that it would not be right, when proposing fresh taxation, to neglect this aspect of the case. We have consequently determined to accept this normal growth of our income as a sufficient security for making good the £200,000 which would still be required to complete the desired surplus of £500,000, and as affording a probable means of accomplishing the complete equalization of the Salt Duties, and other desirable fiscal reforms, at no distant future. We are strengthened in this hope by the circumstance that our estimates of the produce of our new taxes have been prudently framed; but after all we have only estimates on which to work, and we must not disguise the fact that should our anticipations of our position at the end of the present financial year be disappointed, we may again have to come to the Council to ask for further aid in completing the task we have in hand, a task than which no weightier one ever rested on the Government of India.

“I have now, my Lord, finished my special task, and I will add only a few words of a more general character. The objects of the Government, it will have been gathered, are twofold, first, to obtain that addition to the public income which experience shows to be required to meet the charges that arise, directly or indirectly, in a series of years, by reason of scarcity and famine; and second, to secure a proper margin of ordinary surplus to meet those unforeseen irregularities in the Revenue and Expenditure, which necessarily lead to differences between the estimates of the year and the actual accounts.

“As to the first of these objects, I desire to say that the recognition by the Government of this new obligation, implies no suggestion of diminished public wealth or a decaying revenue. Rather, the very contrary is true, and it is the stronger perception of the generally advancing condition of the community, and of its requirements and capacities, that has induced this movement. It is the firm intention of the present Government to apply the funds now to be provided for this special purpose, strictly to the exclusive objects which they were designed to secure. In such matters, no doubt, Governments cannot fetter their successors, and nothing that we could now say or do would prevent the application of this fund to other purposes. Without thinking of a future far removed from us, events might of course happen which would render it im-

practicable even for us, who have designed these measures, to maintain our present resolutions.

“So far, however, as we can now speak for the future, the Government of India intends to keep this million and a half as an insurance against Famine alone. In saying this I should explain that we do not contemplate the constitution of any separate statutory fund, as such a course would be attended with many useless and inconvenient complications, without giving any real security. Unless, then, it should be proved hereafter by experience that the annual appropriation of a smaller sum from our Revenues will give to the country the protection which it requires, we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose, and I hope that no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust.

“The second of our objects, the maintenance of a substantial surplus, not liable to be found imaginary when our year's transactions are completed, we regard as the means for securing that continued amelioration of our fiscal and administrative systems, without which no true progress or real economy is possible.

“I will only further detain the Council to say that, if one fact has been more certainly established by experience than another, it is this, that, in carrying out really effectual and satisfactory measures of relief in time of famine, sound principles and good administration are far more important and far more efficient agents than the lavish expenditure of money. It would be easy to show that, during the late famine, the districts in which we find false principles, bad supervision leading to every sort of dishonesty and speculation, and reckless waste of the public funds, are the very places where the extremity of suffering has been reached and lamentable loss of life has occurred. On the other hand, in districts where the failure of the crops was quite as complete, and the difficulty of saving the people from starvation was as great, it has been shown that sound principles and good administration can make wise economy compatible with the most efficient system of relief. It is a truth which cannot be too distinctly recognised by the Government and by the Public, that it is not only by the expenditure of money, or by merely material means, by Railways, roads, and works of irrigation, that we can protect the people against famine; but that much progress in their social condition and increase of wealth, as well as improvements in the every-day administration of the country, are also conditions which must be fulfilled

before complete and permanent protection against famine can be obtained. To fulfil these conditions a thoroughly sound financial position is an essential preliminary, and it is this that we seek to establish."

His Honour THE LIEUTENANT-GOVERNOR said :—" My Lord, I have been invited by my hon'ble friend, Sir John Strachey, to explain the measures which it is proposed to adopt in Bengal with a view of carrying out the policy of the Government of India which he has just declared, and I will endeavour to do so as briefly as the circumstances will permit.

" I think it must have been generally anticipated, even before my friend made his able and comprehensive exposition of the present financial position of Government, that it was quite impossible that the administration of the country could be carried on without some increase of taxation.

" If only the country could be secured for a few years from famine, war, or other calamity, the finances of India would evidently be in a most flourishing condition. But such extraordinary calls as have been made upon it in the last few years to meet the expenditure of recurring famines, have plunged the country into difficulties from which it can only be relieved by such measures as shall provide a very considerable increase of revenue to the Imperial Government.

" I may, I think, say for the people of Bengal, that they have for some time past been prepared for a demand to bear, in common with the other provinces of the Empire, their share of the cost of meeting these extraordinary charges; and I feel that they will cheerfully accept the requisition which I shall be compelled to make upon them. I am sure that the action of the Government of India, in determining to save the lives of the people at any cost which it was possible for the country to bear, has the entire concurrence of the people of Bengal. In the early stages of the famine at Madras, many influential and leading men of the country expressed a wish that everything which could be done with this object should be done, and that the cost should be subsequently raised from them by taxation fairly distributed.

" I have under these circumstances felt no hesitation in expressing my readiness to accept the burden which it is proposed to throw on Bengal as its contribution towards the expenses of famine-relief, and I feel that I shall have the support of the Local Council and the public in the measures which I shall be compelled to lay before that Council in a few days to meet the call which has been made upon me.

“ I should not, however, be dealing frankly with your Lordship if I did not say that the expressions which I have heard of the readiness of the people of Bengal to bear their share of the cost of famine have been qualified by a strong wish that, before imposing fresh taxation, the Government of India should thoroughly analyse the increasing charges of the army with a view of applying to that branch of the public service the same rigid economy that has been applied to other branches of the service. I am not in a position to say how far this wish is reasonable, or how far compliance with it is possible; but I feel it my duty to say that I know it is a subject which is very much occupying the mind of educated Native gentlemen in connection with the question of fresh taxation, and that considerable agitation of the subject is going on. And it is therefore with sincere pleasure that I have heard that the question is receiving full consideration from the Government.

“ I have much pleasure in saying that the general effect of the decentralisation-system, in respect to the facilities which it has given to provincial administration, has been thoroughly satisfactory. In making the Local Governments responsible for expenditure, and giving them a direct interest in the development of various branches of the revenue, it has secured a careful scrutiny over the expenditure of all departments, and a deep interest in all improvable heads of revenue, which has extended to all grades of the service. District officers understand that the provincial Government cannot devote money to new works and schemes without an improving revenue, and they have cordially and loyally co-operated with the Government in suggesting such measures as appear likely to beneficially affect the revenue.

“ The Local Government has been able, since the first introduction of the system in 1870-71, to carry out many measures of improvement on its own responsibility, which would, before the introduction of this system, have had to wait upon the requirements of other provinces. All friction with the Imperial Government has been obviated and much useless correspondence avoided.

“ I think that, in adjusting taxation to the special circumstances of each province, and equalising as far as possible the relative incidence of taxation upon the various classes of the community, leaving the details to be settled by the Local Government, the Government has acted most wisely. The circumstances and condition of the various provinces are very different, and the incidence of present taxation is also very different in one part of the country to what it is in another. It is, as has just been explained, proposed to levy in the North-Western Provinces a cess upon the land, while last year the deficiency of revenue was there made up by a license-tax on trades. But in Bengal we have

already, in the last few years, imposed upon the land a charge of £600,000, of which £300,000 has been assigned to the Imperial Government as a permanent contribution, while our trading community has been left perfectly free of taxation. Though, therefore, I admit it is just and reasonable that the landed interest should as in the North-Western Provinces, be called upon to share with the trading classes the incidence of taxation, I feel that it is quite impossible at the present time to ask the landed interests and the agricultural population of Bengal to pay anything further; and feel, in common with nearly all the officials throughout the country who have been consulted on the subject, that the time has come when the trading and artizan classes should be called upon to bear their share of taxation from which they have hitherto been free.

“It may perhaps be considered right that I should take this opportunity of stating formally to the Council the measure which I propose to submit, under the sanction which I have received from your Excellency’s Government, for the consideration of the Bengal Legislative Council, in order that I may be in a position to comply with the requirements of the Imperial Government.

“Last year, when introducing the public works cess on land, I observed that there appeared to be a very general opinion that something should be done to throw a portion of the incidence of taxation upon the non-agricultural classes. Time did not then admit of the elaboration of any measure for the purpose, but I promised that I would consult with the Commissioners of Divisions in Bengal, and would watch the working of the new license-tax in the North-Western Provinces with a view of considering whether we could not shift some portion of the burthen of fresh taxation upon classes not interested in the land.

“The result of the reference to Commissioners and local officers was to show that there is a large preponderance of opinion in favour of the feasibility of introducing and working a license-tax of the kind proposed. The events of the past year have, however, made it clear that, so far from our being able to relieve the classes interested in land by transferring a portion of their burden to the classes engaged in trade and commerce, we shall require, not only all that we now draw from the provincial public works cess, but a very considerable additional income to enable us to meet the liabilities which the supreme Government is compelled to impose upon us. The amount that we are now required to find to enable the Imperial Government to meet famine-expenditure is thirty lakhs of rupees nett; and we must therefore raise a sum of money sufficient to cover all costs of collection and to save us all risk of inability to meet the unpaid demand.

“With the approval of the Government of India, it has been determined to raise a sum estimated on this basis by a tax upon trades, dealings and industries throughout the Lower Provinces. Looking to the sums paid by the landed classes and the cultivators under the Road Cess and Public Works Cess Acts, it is clear that this is not too large a demand to make upon the commercial and industrial wealth of this great province. During the last few years Bengal has advanced rapidly in wealth. Its trade has received large developments, having profited generally by the misfortunes of other provinces, and by the gradual improvement of the agricultural classes at home. Its people are, on the whole, the most lightly taxed in all India.

“It having, then, been determined to levy a tax of this amount upon trade and commerce and industries other than agriculture, the question remained what shape the tax should take—should the money required be raised by imposing substantial rates upon the wealthier members of the trading and industrial classes, or by imposing a light general tax upon every class of trade and industry, or by a combination of those measures? To enable us to decide this point, the records of former taxes upon trade and industries were carefully scrutinized.

“We have most carefully examined the statistics of the various license-taxes, certificate-taxes, and income-taxes passed or proposed and discussed since 1861, and have endeavoured to apply the facts thus gleaned in such a manner as to be able to form a very rough approximate estimate of the yield of the modified license-tax which we now propose. On the whole, the conclusion which we came to on a review of the foregoing and other available facts, was that, if we levied a license-tax upon trade and industrial incomes of Rs. 200 and upwards, at the rates adopted in the Certificate Tax Act of 1868, we could not hope to realize much more than fifteen lakhs of rupees in all Bengal. There was, moreover, this objection to any tax based on the model of the Certificate Act, that it was after all a tax regulated directly by reference to income, and that in the higher classes the rates were too high for a mere license-tax.

“The fact that India is, after all, a country where the number of wealthy men is very limited, must always be borne in mind when considering questions of taxation. Any tax, therefore, which is to be largely productive must be assessed on a very large number of people, and it is quite impossible to hope that we can raise all we want by a tax, however heavy, to be levied on only the wealthiest traders. We want to make all classes pay their fair share of taxation. We have, in respect to the land-cess, levied it from every class of raiyat, and the tax on trades and industries should follow the same lines as far as pos-

sible. The classes who suffer most when famine occurs should certainly contribute something in seasons of prosperity to funds raised for purposes of enabling the Government to meet famines."

"It was resolved, therefore, that the tax should take the shape of a license-tax, of which the maximum rate should be Rs. 200, and that maximum to be only leviable upon joint-stock companies and a few of the very largest traders and bankers. Substantial traders of a lower class will be taxed at the rates of Rs. 100, Rs. 32 and Rs. 10, while small traders and artisans will pay Rs. 4, Rs. 2 or Re. 1, according to their means.

"In the town of Calcutta a license-tax is already imposed on "Professions, Trades, and Callings" in manner set out in the third schedule of Act IV (B.C.) of 1876. Under that schedule Rs. 2,51,000 are annually collected for municipal purposes. It appeared that, with certain exceptions, the rates therein set forth would be suitable rates to impose for the purposes of a provincial license-tax in the town of Calcutta, so far as the classes specified in that schedule were concerned. It is obviously very desirable to extend existing forms of taxation where they exist, and are capable of adaptation, rather than impose new taxes; and though it may involve some loss of money, we have determined to apply to Calcutta its present form of municipal license-tax, rather than introduce a new tax, with a new assessment and a fresh collecting and assessing machinery. In Calcutta it is not proposed to exempt any of the classes mentioned in the schedule of the Municipal Act. Calcutta has specially benefited by the growth of trade, and its professional men have specially shared in the general prosperity of the place. The tax is so small that I am sure they will gladly accept it as a most beneficial substitute for the income-tax with which my hon'ble friend has just threatened us.

"The only addition to the existing license-tax is that joint-stock companies and wholesale dealers shall pay a license-fee of Rs. 200, and that wholesale brokers shall pay a license-fee of Rs. 100 per annum: and further, some of the classes of artisans and mechanics who will be subject to taxation in the interior will also be subject to the license-tax in Calcutta.

"It has been decided that, after an estimate has been made of the probable proceeds of a license-tax, such as that above described, within the municipal limits of Calcutta, the Municipality should be required to contract for the payment to Government of a fixed annual sum, such as would leave the town a fair margin for cost of collection and to cover all risks.

“For the interior of Bengal I propose to ask the Local Council to pass a License Tax Act under which the highest rate levied upon a joint-stock company or any wholesale dealer will be Rs. 200. The license-fee upon other classes will be graduated in a few clear and distinct grades down to one rupee. The rates, while we hope they will be very productive, will, it is believed, fall very lightly indeed upon any class; and the various grades will be capable of easy classification without any direct reference to income or any sort of inquisitorial proceeding on the part of assessors.

“It has further been decided that the house-cess under Act X (B.C.) of 1871 and Act II (B.C.) of 1877 should be remitted in the case of those paying license-tax. The house-cess was made a part of the Road Cess Act in order to compel traders and professional persons in the interior, living outside municipal limits, to contribute, along with the cultivating classes, for the purposes of that Act. It brings in very little at present (only about 1½ lakhs for all Bengal), and is very unpopular with the officials and the public. Under the Provincial Public Works Act, the house-cess is again levied on the same classes at maximum rates. The license-tax will fall on precisely the same class of persons as pay house-cess under the two Acts last mentioned, and it would be felt as a very great hardship if they had to pay tax three times over—first for local purposes, then for provincial purposes, and lastly for imperial purposes. It is best to remit the house-cess altogether, and to levy one tax only on trades and industries. The loss to district road committees will be comparatively trivial, and will, if necessary, be recouped to them, and the provincial finances will probably not suffer at all in the end.

“The Local Government is well aware that, in proposing to levy a direct tax of this kind upon such a large body of people, it is undertaking a task of great magnitude. But the circumstances of the country render the levy of this amount of taxation imperative, and I believe the necessary amount could not be raised in any less objectionable manner.

“I have heard with great satisfaction the announcement that it is the intention of the Government of India to take measures to equalise to some extent the duties on salt throughout India, and though I should not have advocated in itself a decrease in the salt-duty levied in Bengal, which is a very popular form of taxation, I am glad that the measure of equalisation should have resulted in a diminution of the rate of duty in Bengal, at a time when we are imposing such a heavy burthen on the people in other respects, though I cannot help feeling that it is a sacrifice of revenue in concession to theory which would afford no real relief to the people.”

HIS EXCELLENCY THE PRESIDENT—"I am reluctant to prolong the proceedings of the Council at this comparatively late hour; but the general importance of those explanations with which I desire to accompany the questions now before me, will, I trust, be my sufficient justification for making a further appeal to the attention of Hon'ble Members.

"After the statements made to-day by my Honorable Colleague, Sir John Strachey, and my honorable friend, the Lieutenant-Governor of Bengal, I need not now refer in any detail to the principal measures which the Government of India, reviewing all the present circumstances and prospects of the Empire, has deemed necessary for giving to our financial position the additional strength it undoubtedly requires. But I desire to explain how we propose to employ the money now asked for, and also to add emphasis to the statements of my Hon'ble Colleague as to the fundamental idea which underlies the present financial policy of the Government. Guided by this idea, we are resolved to seek the support we require through an extension of the responsibilities and resources of the local Governments, rather than from any mere addition to the machinery or revenues of the central authority. We are convinced that the coherent development of this multiform Empire can only be secured by gradually enlarging those local foundations which sustain the widespread fabric of the State, and stimulating throughout all parts of its complex administrative structure the free play of a healthy spirit of self-reliance and mutual support.

"For this reason, the Government of India is determined not to deviate from the course on which it entered at the commencement of the present financial year. That course has been cordially encouraged by Her Majesty's Government; and we have the best reason to believe that it has approved itself to all the local Governments whose intelligent co-operation ensures the successful prosecution of it. The statement made by Sir John Strachey will, I trust, have satisfied the Council that the additional revenue now required by the Government, and the increased burdens which must consequently be borne by the people, of India, are the inevitable consequences of famine, and of famine only. I will not abuse your sympathies by harrowing your feelings with any description of the ghastly scenes I have witnessed this year in Southern India; scenes which, horrible as they were, only partially revealed the mass of unseen, unuttered misery that lay behind them. I feel sure you will believe that no such sights were needed to impress me, and I am equally confident that no such descriptions are needed to impress this Council with a profound sense of the paramount obligation now resting on us all to

spare no effort for preventing the recurrence, or mitigating the effects, of such calamities. But of one thing I am convinced. Our efforts must fail if they be merely the uneducated offspring of casual impulse, and indefinite sentiment. The primary condition of successful effort is the strictly systematic subordination of it in all directions, and in all details, to the verified results of experience, and the carefully ascertained conditions of what is practically possible. It is not by the indulgence of that morbid sensibility to the dramatic elements of horror which so unconsciously simulates compassion, it is not even by exclamatory utterances of a generous impatience, or a genuine grief, under the painful contemplation of the sufferings of our fellow-creatures, that we can practically prevent or alleviate such national calamities as those through which Southern India has been passing during the last two years. We might as reasonably hope to solve the hideous problem of London pauperism by bestowing pence on street beggars, or pathetically depicting their raggedness in our illustrated journals for the encouragement of promiscuous almsgiving. I am profoundly persuaded that every rupee superfluously spent on famine relief only aggravates the evil effects of famine, and that in all such cases waste of money involves waste of life.

“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.

“The tasks bequeathed to the Government of India by the calamitous circumstances of the last two years have now, I am thankful to say, more direct reference to the future than to the immediate present. They are not, on that account, less imperative or less seriously recognized: but their comparatively prospective character is a fact which I cannot record without a deep sense of gratitude; gratitude to Providence for the reviving fertility of districts recently stricken barren by a prolonged and quite unprecedented disturbance of the atmospheric conditions to which they are subject; gratitude to those valuable public servants in, and from, all parts of this Empire, to whose devoted and indefatigable exertions the people of Southern India is indebted for the restriction and abbreviation of a terrible calamity; and gratitude, no less sincere, to the generous charity of the British Nation; which has, I truly believe, materially contributed,—not, indeed, to the preservation of life (for to that object it was not applied, and for that object it could not have been legitimately invoked)—but to the mitigation of much of the suffer-

ing and distress which such a calamity must inevitably bequeath to its impoverished survivors.

“Now, turning to the contemplation of the future, our first duty must be, I fear, to recognise and face, with all its consequences, the sad but certain fact that, in the present social condition of India, famines cannot, for many years (I might almost say for many generations) to come, be entirely prevented. The population of this country is still almost wholly dependent upon agriculture. It is a population which, in some parts of India, under those securities for life which are the general consequence of British rule, has a tendency to increase more rapidly than the food it raises from the soil. It is a population whose consumption, in many places, trenches too closely on the crops already provided by its industry; and which, therefore, runs great risk of having no accumulated produce to depend upon, whenever the earth has failed “to bring forth her fruits in due season.” A people permanently living under such conditions; a people, that is to say, whose entire labour provides only just food enough for its own annual sustenance, is, it must be confessed, a people removed only a few degrees from a state of barbarism. Until the accumulated fruits of industry exceed the current requirements of the population for its own subsistence, there can be no growth in the wealth of the community: and, until the national wealth, that is to say, the exchangeable surplus produce of the country, has been increased up to a certain standard, there can be no adequate security against famine. To the attainment of this object, therefore, all our efforts, in every department of the administration, must be constantly directed. But, at the same time, it must also be always borne in mind that, until this object has been attained, no exertions, and no expenditure, on the part of the State can practically do more than provide for the restriction and mitigation of periodical scarcity. It is not yet in the power of human science to foresee, still less to control, the uncertainty of the seasons; and this uncertainty, which is so constant and violent in India, must always afflict with exceptional severity any population that is habitually living from hand to mouth. For, in that case, when the hand fails to raise a crop, there is nothing left for it to carry to the mouth. Fortunately, however, the material appliances which already exist, and only need to be prudently developed, in order to provide us with an effectual insurance against the worst consequences of famine, are also those which, if rightly employed, will most rapidly promote that general increase of the national wealth on which alone we can reckon for the permanent prevention of famine.

“Now, 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, when read by the sinister light of recent events, 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, however, 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. The first condition requisite to render emigration available as a precaution against famine, is a normal excess of the population as compared with the food-produce of the country: the second condition is sufficient energy on the part of the surplus population to induce it to seek a higher standard of material comfort than that to which it is accustomed; and the third condition is a foreign field of labour in which this higher standard may be reached. Now, none of these conditions are sufficiently developed in India to justify reliance upon emigration as an efficient auxiliary in our struggles with famine. Of our whole population, only a small portion as yet exceeds its food-producing power. The possible increase of this proportion of the population will undoubtedly augment our future difficulties, if, in the meanwhile, no adequate correctives be applied to them. But in those parts of India which, during the last two years, have most suffered from scarcity, the population only averages at 250 inhabitants to every square mile: and, since those districts comprise large areas of uncultivated land, this average cannot be regarded as at all excessive. In the next place, there is no contesting the fact that, in spite of the inducements offered to emigration by this Government, in spite of the widespread organisation for the recruitment of it established by Colonial Governments, and in spite of the encouraging example furnished by that small number who, having tried the experiment of temporary emigration, return, after a few years’ absence, in possession of savings which they could not otherwise have stored by the labour of a lifetime,—in spite of all these things the people of India *will not* emigrate. The uncomplaining patience of the Indian raiyat has a profoundly pathetic claim upon our compassionate admiration. In no country of the western world could a national calamity so severe and prolonged as that which has now for more than twenty-four months afflicted one-half of this Empire, have lasted so long without provoking from the sufferings of an ignorant and starving population agrarian and social disturbances of the most formidable character. But for this very reason we cannot safely frame any plans for improving the condition of the Indian raiyat in exclusive reliance on his

spirit of adventure. And, although the exportation to foreign countries of large numbers of the people, without reference to their feelings, and in opposition to their known inclination, is a policy which might possibly have been enforced by a Mogul Emperor, it is certainly not a policy which can be adopted by a British Government. It is a very significant fact that those of our native subjects who do occasionally emigrate belong to the least, rather than the most, densely populated parts of the country. Finally, it must be borne in mind that, if to-morrow all the native races of Hindústán were animated by a simultaneous impulse to emigrate, there is, at present, no field of foreign labour capable of absorbing a proportion of the enormous population of this continent sufficiently large to make any appreciable difference in the general condition of the remainder. Our Colonies take from India annually a few thousand labourers. Multiply that number by ten, or even twenty, and the percentage of Indian emigration would still bear but an insignificant relation to the number of the whole non-emigrant community. For all these reasons, although 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 appropriate 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 unmistakably 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. The capital expenditure on the guaranteed railways, during a period of 28 years, has amounted to not far from 95 millions sterling, with a result to be measured by about 6,000 miles of broad gauge line. During the last nine years the outlay on State railways has amounted to about 18½ millions, producing 1,050 miles of broad and 1,200 miles of narrow gauge line, more or less finished. I need not here re-open the once-vest question of broad *versus* narrow gauge. For all practical purposes that question has long ago been settled. Had we now to consider the construction of long lines of rail solely, or chiefly, for military

purposes, I doubt not that many arguments might be forcibly urged in favour of a broad gauge system. But when the object in view is to stimulate the exchange of commodities, and provide for a goods traffic with special reference to local needs and local means, then, I think, it cannot possibly be doubted that any extension of our railway system must be carried out in strict conformity with that method which experience has proved to be the cheapest, and indeed the only one financially possible in the circumstances of a poor country with a languid commerce. The importance of strategic railroads to such an empire as this, is not, in my opinion, open to question. But it is not for the construction of strategic railroads that we are now seeking assistance from the local populations and Governments of India.

“In the course of future discussion upon the Bills we hope to introduce to-day, my Hon’ble Colleague in charge of the Public Works Department will, I trust, have an opportunity of making a departmental statement; and, I doubt not, he will then be able to lay before the Council much valuable and suggestive information as to the action of his Department in connection with relief operations. But, with all questions appertaining to the employment of public works for the prevention or relief of famine, I am only now concerned to deal from a financial point of view; and no further than may be necessary for the explanation of those financial conditions which must invariably govern the permanent famine policy of this administration.

“Now, it is an unquestionable fact that the railways, and the railways alone, were the salvation of the situation in North Bihár 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. The sea, no doubt, would have thrown rice into the town of Madras; but, with the cattle dying of drought, it would have been impossible to move the grain up-country; nor, if every possible mile of navigable canal had been completed throughout the Madras Presidency, would it have greatly helped us to throw grain into those very districts where the famine has been at its worst; for the broken upland country of Bellary and Kurnool, and the Mysore plateau, are physically impracticable for big canals; and, 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 net-work 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. To accomplish this, in accordance

with the financial and administrative policy already explained, we propose to call upon the various Provincial Governments to undertake at once the preparation of such a scheme of local railways, with plans for their gradual and systematic execution, carefully made out by the best informed local authorities. Our present object is to render available, within the shortest possible time, a maximum length of line specially constructed for a slow goods traffic, rather than to provide those more ample conveniences for passengers and goods which have been commonly deemed necessary for all Indian railways hitherto constructed. We have every reason to believe that, by restricting the works at the outset to the essential requirements of a slow goods traffic, we can, without any sacrifice of durability, or sound constructive principle, reduce the first capital outlay even below the amount which was found sufficient for the execution of the Hatrass and Muttra Railway in the North-Western Provinces; a line which furnishes us with a most instructive illustration of what may be done, under a local Government, in the way of thoroughly useful work executed at a small cost. We have also in the United States of North America an encouraging example of the rapidity and financial ease with which cheap railroads may be constructed over vast tracts of sparsely populated territory, and of the incalculable benefits conferred by them on every part of a continent even more spacious in extent and various in climate than our own.

“During my visit to Madras and Mysore, I had many opportunities of obtaining information about the distribution of grain into the distressed provinces. I cannot doubt that but for the main trunk lines of railway there must have been an appalling, and quite irremediable, failure in the supply of food to those provinces: and, for all purposes of famine relief, I am equally convinced that the proved utility of these great arterial lines will be immensely increased by the cheap internal railroads we now propose to commence, with the intention of completing them as rapidly as may be compatible with the extent of the financial resources at our disposal for that undertaking.

“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 cannot, indeed, solely for the sake of developing local commerce, undertake to build railroads on the commodious and costly scale of our present main lines, which have been constructed with a view to their general utility in many other ways. But with the active co-operation of the local Governments, and by steadily adhering to, and prudently developing, the great principle of provincial responsibility which is the backbone of our financial policy, we are persuaded that the resources of the State will now be sufficient for the early and continuous construction of a wide net-work of cheap provincial lines well adapted to the special object for which they are required. It remains to explain to the Council the manner in which we propose to apply to the extension of irrigation works precisely the same principles and policy.

“Here I must observe that there has recently been a tendency to discuss, in a somewhat partisan spirit, the relative usefulness of irrigation works and railways as protections against famine. I deprecate all such controversial discussions. They are no less out of place than arguments as to the relative value of food and air, for the preservation of animal life.

“It is certain that throughout the greater part of India the produce of the soil may still be very considerably increased by artificial irrigation. But it is equally certain that in many parts of India, and for many kinds of Indian crops, irrigation could only be employed at a cost which would render it unremunerative. Canal irrigation cannot everywhere be supplied from permanent sources; and wherever it is not supplied from permanent sources, it frequently proves altogether abortive as a preventive against famine. Again, in the second year of the drought from which we have been suffering throughout Southern India, tank irrigation generally failed. Moreover, even were it physically possible to apply irrigation to all the cheap millet crops now grown upon the uplands of Madras, the expense of their cultivation by that means would render them quite un-purchasable by the classes who at present derive from them their chief means of subsistence. The difficulties and disasters of the recent famine have been greatest in Madras. But Madras is, taken as a whole, the best irrigated part of India. Out of a total area of 22,000,000 acres under cultivation, that Presidency has some 4 million acres artificially irrigated; and its entire irrigation system is supervised by professional officers who,

in their own line, are unsurpassed. One part of the irrigation system of Madras is supplied by the permanent rivers: and of these, the number is limited. All the rest of it is derived from the local rivers and storage tanks which are scattered in profusion over the whole Presidency. Now, the experience of the present year has proved that the latter source of supply is only one degree less dependent on the normal rainfall than are the dry crops of the unirrigated districts. If, therefore, we are to insure Madras against future famines by largely increasing its present water-supply, it is exclusively upon the permanent rivers that we must reckon for our attainment of that object. Assume (and from all the enquiries I have yet been able to make this is the most I feel justified in assuming) that the waters of the permanent rivers might be so employed as to irrigate another half million of acres. What effect would the produce of half a million of acres have had towards preventing the famine in Madras? It would not represent one-third of what the railways alone have carried down from Northern India, and it is about equal to what was landed by sea during only two and a half months out of the twelve through which this famine has lasted. So far, then, as it was possible to render irrigation a protection against famine in a second year of drought, Madras has received, within a narrow margin of some 20 per cent., all the benefit which the nature of the case and the circumstances of the country permitted, and yet Madras has this year suffered from a worse famine than has afflicted any province of India during the present century. In view of such facts as these, we cannot safely lay down any fixed rule for universal application. The problem of irrigation works, when closely examined, reveals fresh difficulties at every stage. It is easy for those who have not thoroughly examined it, or others who have examined it only from a purely professional point of view, to tell us that by the expenditure of a few millions we might permanently insure this vast Empire against famine. But the Government of India, which is responsible for every rupee of public money raised or spent by it, has been taught by bitter experience that there may be many promising and attractive projects for irrigation which, when carried out at considerable expense, and under the most accredited supervision, bequeath to the Empire little or nothing but a hopeless financial burden. India has good reason to be proud of her school of hydraulic engineers. But it is the tendency of all professional ability to somewhat exaggerate the general value of the special material in which it works. The Athenian tanner believed that, for the purpose of fortifications, there was nothing like leather; and, so far as I can judge, some of our most experienced and eminent canal engineers are not entirely free from an unconscious predisposition to assume that, instead of irrigation existing for the sake of cultivators,

cultivators exist for the sake of irrigation. Whether the value of increased produce will, in any particular case, be sufficient to justify the requisite outlay of capital on providing irrigation; whether the necessarily limited amount of capital available for works of improvement is best applied to irrigation works; or, again, whether the physical conditions of the locality will practically admit of irrigation at all, to these and many similar questions no general answer can be given. Each case must be decided in reference to its own merits, and on a careful review of many conflicting considerations.

“ But, though I feel that, for all these reasons, we must be constantly on our guard against premature generalisations and impulsive action in such matters, I am none the less most fully persuaded that, next to the facilitation of transport, our greatest safeguard against future famine will be found in a well considered and widely developed system of irrigation works. The surplus produce of industry is the foundation of national wealth; and irrigation is the most certain means of improving and extending agricultural industry. It enables the cultivator to accumulate produce; and, if combined with navigation, it also enables him to transport produce.

“ Every country which produces only just enough for its own consumption is a poor country. So is every country which cannot export its surplus-produce, and exchange it for other commodities. Therefore, admitting even that in many parts of India irrigation cannot appreciably augment the local food-supply, it by no means follows that irrigation cannot largely augment the wealth of the whole community: for, if this Empire be adequately provided with the means of transport, it is not so much by increasing the actual food-supply of the people as by helping to create other and different produce, not required for the consumption of the people, and possibly not even adapted for such consumption, that extensive irrigation will promote the social and financial prosperity of India. It is only by the gradual and continued improvement of their material condition that the people of this country can permanently escape the calamities they now suffer from the uncertainty of the seasons.

“ To look to irrigation-works as a panacea for our misfortunes, would be to trust to an illusion; to hesitate to recognize them as among the most certain of our means of protection, would be to reject the irrefutable evidence of prolonged experience.

“ A memorandum has been placed in my hands showing, from the latest returns of the actual operation of the irrigation-works in the North-Western Provinces, that the whole area now irrigated by them is about 1,500,000 acres;

which, under pressure, might be extended to 1,600,000 acres, producing respectively 775,000 or 800,000 tons of grain, and providing food for 8 months for 6 million to 6½ million persons. The progress of these works will add half a million of acres; and this addition would yield one-quarter of a million tons of food, and feed for 8 months 2 millions of people. Thus, these works will secure the food, for the period named, of between 8 and 9 millions of persons.

“I need not comment on these figures; but, while such results may be shown as the outcome of irrigation works, what, let me ask, would be the position of a province in which the produce, being considerably in excess of the ordinary wants of the people, was not provided with the means of exporting its surplus stocks? Of one great staple product of the north of India—wheat—it may be affirmed, with certainty, that a trade has been developed, during the last four or five years, chiefly through the agency of railways, which has already reached a value of two millions sterling, and which could never have come into existence by any other means. Without depreciating the great value of water-communication which I recognize most fully, so far as it is practically attainable, I cannot lose sight of the fact that the extension of the Electric Telegraph, and of Steam Navigation, have rendered the operations of modern trade more than ever dependent on time, as an essential element in all combinations; and thus the speed which can only be got by railways enters more and more largely into the considerations to be weighed in designing means for giving the necessary extension and improvement to our inland communications.

“I conclude, then, that we shall be certainly right in carrying out irrigation works wherever the water-supply is both sufficient and constant; and wherever the material difficulties to be overcome do not involve an outlay that interposes insurmountable financial obstacles; so long, of course, as due attention be, at the same time, given to the means of communication. But we cannot, and do not, undertake to provide irrigation gratuitously to those for whose special benefit it is required. We cannot afford to apply to new irrigation works the financial policy which has hitherto rendered so costly, and so unremunerative, the works of that kind which are already constructed. Here, again, we can only proceed in strict accordance with the principle of provincial responsibility and self-support. As the only funds at the command of the Government for irrigation works are derived from the country itself, the cost of such works must fall to a great extent upon those who derive from them immediate benefit. I repeat that it is on the co-operation of the whole community we reckon for the means of

securing the whole community against the worst consequences of periodical scarcity. But it is to the local Governments that we look for the execution of local works of a preventive character; and it is upon local resources that we must depend for the ultimate supply of the funds necessary to provide and maintain such works. I am aware that there are already some parts of India whose exclusively local interests are practically secured by the bounty of nature, or the industry of man, from the direct effects of famine. In the nature of things the population of those particular localities may, and probably do, derive some immediate advantage from the periods of scarcity which so fearfully afflict their fellowsubjects in other provinces. But it would be an insult to suppose that their fortunate exemption from the perils and sufferings common to the rest of the community can furnish any argument, they would stoop to urge, in favour of exempting them from their fair participation in the support of any general burden imposed for the protection of the whole community from such sufferings and perils. Whilst, therefore, I do not doubt that the chief cost of protective works ought to be borne by those who must need them, and will chiefly benefit by them, I must maintain that no province of the Empire, and no class of the community, can be legitimately relieved of the national obligation to contribute to the means required for the construction of such works.

“And here I would ask the Council to listen to the testimony of my hon'ble friend the Lieutenant-Governor of Bengal; who, speaking of the measures he contemplated last spring for dealing with irrigation works in the province he so ably administers, observed that—

‘ During the last five years the Government of India has spent nearly 20 crores of rupees in alleviating famines caused by deficient water-supply. When I say that the Government of India has spent this money, you will understand that this expenditure has fallen not upon the Viceroy and the Council, but upon the people; and that, if the necessity of expending their money had not been forced upon the Government, the taxation of the people would have been diminished to this extent. Now, the only way of averting famines arising from drought is to make the greatest use, which science and experience can suggest, of the supply of water which fortunately nature has given us in Bihár. \* \* \* This, of course, cannot be done without the expenditure of money, and the question is who, in fairness and justice, should find this money.

‘ After very careful consideration I came to the conclusion that, as the whole of the province of Bengal suffered when there were such famines as have occurred of late years in Orissa and Bihár, it was fair that a large proportion of the cost should be borne by a tax laid upon the public at large. But it also seemed to me fair, and I believe you will agree with me, if you will give the subject your unprejudiced consideration, that a share of the cost should fall on the people who directly benefit by the introduction of water to the neighbourhood of their

fields, and are thus assured of a good crop at all seasons, instead of being exposed to the risk every few years of absolute failure. When I proposed this, I was told that the people did not want water; that they would sooner be left alone to bear the risk of famine, and was even told that the water of the Sone was destructive to fields. Shortly after this discussion took place, the periodical rains were suspended, and then we had practical proof as to whether or not the Sone water was considered injurious or prejudicial. The people clamoured for water, and to meet this demand we were forced to open our unfinished canals, by means of which we have irrigated, during the last few months, 200,000 acres of land, which would otherwise have remained waste for the year, but which are now covered with luxuriant crops. The produce of this land represents food-grain of the value of 55 lakhs of rupees, and of this, crops to the value of 40 lakhs certainly would have been entirely lost if it had not been for the supply of canal water; but it also represents the rent of the land, of which the landholder would have been otherwise deprived; and to this must be added the outlay which would fall on him if he had again to give relief to his tenantry in consequence of famine.'

“To sum up, then: The Government of India is convinced, upon a careful review of its financial position and prospects, that the heavy obligations imposed upon it by the calamitous circumstances of recent years, can only be discharged without serious risk to its financial stability, by a strict and patient adherence to the principle affirmed in the financial measures we introduced last year, and developed in those which are now before the Council. That principle involves the enlargement, with adequate precautions, of the financial, and consequently also of the administrative, powers and responsibilities of the local Governments. In the next place, we believe that, if this principle be fairly carried into effect, the new imposts, which the Council is now asked to sanction, will, when added to the resources already created, provide the State with sufficient means for the permanent maintenance of a national insurance against famine, without heavily increasing the pecuniary burdens of its subjects. For the attainment of this object, the material appliances we intend to promote, by means of additional revenue, are cheap railroads and extensive irrigation works. We are conscious of the reproach we should justly incur if, after such a declaration as I have now made, the prosecution of these necessary works were commenced, suspended, or relinquished, according to the increased or relaxed pressure of annual circumstance, or the intermittent activity of spasmodic effort. We, therefore, propose to entrust, in the first instance, to the local Governments the duty of framing a sufficient and carefully considered scheme of local railroad and irrigation works. We are prepared to provide them with the means whereby they may from year to year work systematically forwards and upwards to the completion of such a scheme. The funds locally raised for this purpose will be locally applied. But Provincial Governments will

have to meet the cost of provincial famines out of provincial funds to the fullest extent those funds can bear. They will find that thriftless expenditure in one year may involve the risk of diminished allotments in subsequent years; and I cannot doubt that the unavoidable recognition of this fact will make them wisely eager to spend the requisite proportion of their annual income upon well-planned and carefully estimated railway and irrigation works; which will be their best insurance against the losses of famine, and the postponement of all administrative progress which famine generally entails. It will be the special duty of the Public Works Department of this Government to keep those objects constantly in view of the local Governments, and to assist them, no less constantly, in their endeavours to give a rational preference to really useful and remunerative works, over those more captivating, but less compensating, subjects of expenditure which, in all comparatively small communities, so powerfully appeal to provincial pride, professional proclivities, or popular pleasure.

“ The specific projects now announced to this Council, I have not presumed to put forward as the enunciation of any new policy. On the contrary, I should have spoken with much more hesitation if I imagined myself to be treading upon ground not long since surveyed by experienced authorities; and the strongest recommendation I can claim for the views I have expressed is that they differ in no important particular from those of the eminent Statesmen who have preceded me in the office I now hold. But between the present and all previous occasions on which the Government of India has declared its policy and principles in reference to the prevention of famine, there is one essential difference which I am anxious to impress upon your attention. I can well imagine that many of those I am now addressing may be disposed to say to me—‘ Your good intentions are possibly sincere; but the path to the nethermost pit is already paved with good intentions. Promise is a good dog, but Performance is a better; we have often heard the bow-wow of the first; we have yet to see the tail of the second. We have been told over and over again by the highest authorities that India is to be insured against famine in this way, or in that; but when famines come upon us, we find that the promised way is still wanting. The current claims upon the activities and resources of the Government of India are so numerous, so pressing, so important, official forces and imperial funds so necessarily limited, that when once the daily, hourly strain of a great famine has been removed from a wearied administration and impoverished treasury, its fearful warnings are soon forgotten; its disquieting ghosts are quickly exorcised by the conventional declaration of some unexceptionable principle;

its bitter memories decently interred beneath the dull *hio jacet* of a blue book; and there, for all practical purposes, is an end of the matter.'

"Well, then, I think I am entitled to point out to the Council that we are not now fairly open to this customary criticism. We do not speak without having acted: and we promise nothing which we have not, after long and anxious consideration, provided ourselves with the means of performing. I must have very imperfectly explained myself thus far, if I have failed to make it clearly understood that I am not now speaking of what we ought to do, or would do, to insure 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 systematizing a policy the principles of which have been repeatedly approved and proclaimed 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 till now has rested on 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. In that belief I wish to take the present opportunity of publicly expressing my gratitude to those local Governments with which we have been for many months in confidential correspondence on the subject of their financial powers and responsibilities; and who have not only accepted with alacrity, and adopted with great intelligence, the principles in accordance with which we desire to extend those powers and responsibilities, but have also given us the most encouraging evidence of their ability to improve the enlarged field of activity thus opened to their administrative independence. I also desire to express my gratitude for the unreserved approval with which the Secretary of State for India and the Queen's Government in England have honoured and supported the policy I am now explaining to the Council; for it is a policy on which all our plans, and all our hopes, for steady improve-

ment in the financial, social, and administrative, condition of this Empire are necessarily dependent.

“ But we have also another source of encouragement in the prosecution of this policy. If you look back over a wider and a longer tract of experience than that which is covered by the history of India; if you embrace in one view our own history with the past history of other countries in other climates, you will find that the principles on which we have lately acted, and on which I trust we shall continue to act, in dealing with seasons of calamitous drought, have been found no less applicable, no less efficient, in other countries similarly affected, than they have proved to be in this country, wherever they have been intelligently understood and loyally carried out. There is, I venture to think, no more striking illustration of this truth than the history of the scarcity that occurred in Central France during the year 1770-71. That great statesman, M. Turgot, was then Minister. His administrative ability was equalled by his philosophical power of thought; and, fighting with difficulties in many respects almost identical with those which we, ourselves, have lately had to deal with—difficulties partly material, but greatly aggravated by the prevalence of extremely erroneous economical conceptions—Turgot conceived, developed, and, in the face of great opposition, carried into effect, views no less identical with those which have guided our own action as to the essential importance of guarding the perfect freedom of inland trade in grain; of improving the internal communications of the country; and of providing relief-works of permanent utility, upon which to employ the suffering population. Here, to-day, in India, those views are as sound, and as applicable, as they were in the Limousin a century ago. If, then, from the past we look forward into the future, why, let me ask, may we not hope that, under improved conditions of administration, and with increased development of those material appliances which civilization creates for the provision of national wealth, India will eventually enjoy as complete an immunity from the worst results of scarcity, as that which now exists throughout those regions of France where but a century ago such a result might have seemed as difficult of attainment as it now appears to be in many of our own provinces?

“ I have only dwelt thus far on that part of our policy which has reference to the material aids we still require to insure this Empire against the worst effects of famine. But I should omit a very important point, if I did not also allude to the administrative aspect of the question. In dealing with the crisis through which India has lately passed, it has required the most strenuous efforts, on the part of the Civil Government in all its branches,

not only to secure the active operation of all available means for bringing food to the distressed districts, but also to effect the distribution of such food to the people, under proper precautions for the prevention of waste, fraud, and social demoralization. I will not disguise my conviction, that in some parts of the country this strain has been too much for the machinery that had to bear it; and indeed, I may add, that the measures undoubtedly necessary for strengthening, simplifying, and generally *energizing*, those parts of the local machinery of Indian administration which have proved too cumbrous, too weak, or too inert, for efficient work in any great emergency, have been to me for many months the subject of constant, anxious, and detailed, consideration. It is, I venture to think, very desirable that not only the natural phenomena and social facts of the recent famine, but also the manner in which these have been dealt with in different provinces, under different administrative systems, and the practical results thereof, should be investigated, verified, and recorded, for future guidance. But, whatever be the result of any such enquiry, if to the two conditions of famine insurance on which I have already laid such stress, that is to say, *railways* and *irrigation*, you add a third condition, which is certainly not less important,—namely, a thoroughly efficient administrative system and machinery, in every part of the Empire, for the prompt and intelligent application of sound principles,—then, I believe, you will have reached the limits of what is practically possible, and defined the field of activity within, which it is now the duty of this Government to fortify betimes the social interests committed to its charge against the recurrent disturbance of natural forces. The Government of India is an eminently conservative Government, and I trust that it will ever continue to be so; but to repeat an aphorism, the soundness of which is proved by the staleness of it, improvements really required by change of circumstances are the best foundation for a conservative policy, and in no way opposed to it. No administration is really conservative, unless its policy be vigilantly, though cautiously, remedial. Timely remedy from above is the only sure preventive of violent revolution from below. Destiny is a fair player, and never checkmates a nation, a government, or a class, without first crying check. It is the interest, as well as the duty, of those concerned to heed that warning cry, and shift their pieces accordingly. In politics, as in all things else, the survival of the fittest is an inexorable law: and those institutions which cannot, or will not, spontaneously adapt themselves to the organic growth of the circumstances to which their functions were originally fitted, are doomed, by the salutary order of the universe, to premature extinction. But into this important question of administrative reform I need not here enter any further. I merely desire to

assure the Council and the Public that the Government of India is not indifferent to that part of the difficult, but imperative, task bequeathed to it by the prolific experience of the last two years.

“In framing the measures now laid before the Council, we have called to our assistance the experience and intelligence of many of the most trustworthy servants of the Crown in this country; and we have obtained for our plans the general approval of Her Majesty’s Government. That the duty imposed on us in performing this task has been an anxious one, I need hardly say. Its successful accomplishment is only to be ensured by the cordial and sympathetic co-operation of all concerned. But on that co-operation I confidently reckon: *Firstly*, because it is the duty, as well as the interest, of every Englishman, whether in public or in private life, to facilitate the arduous task which England has undertaken on behalf of India and her own character; and *secondly*, because I know too well, and esteem too highly, the noble native races of this land to doubt for a moment their patriotic acquiescence in any reasonable sacrifice fairly demanded of them, on honest grounds, for the general benefit of their own countrymen. On behalf of the Government of India, I emphatically declare that we have not, we cannot have, at heart any stronger or higher interests than the permanent welfare of this loyal and patient people, and the permanent credit of its English rulers. These are the interests on behalf of which we now invite your aid, and *quid salvum est si Roma perit?*”

The Motion was put and agreed to.

The Hon’ble SIR J. STRACHEY then introduced the Bill. He said:—“MY LORD,—In now introducing this Bill—and the remarks which I am about to make will be equally applicable to all the other Bills in this list, excepting the Salt Bill—I wish to say a few words only. The Government is anxious that our proposed measures should be placed before the public in the most complete form possible, and this object would not be gained unless the Bills, by which we are to carry out our measures, are at once introduced and published.

“I do not now ask that the Bills be referred to a Select Committee, nor is it proposed that any further action should be taken upon them for another month at least. We hope, during this time, to receive the greatest advantage which an honest Government can derive—the full examination and public criticism of our measures.

“As Your Excellency once said, we do not want candlelight, but daylight; and there is no intelligent expression of opinion which we shall not welcome under the difficult circumstances with which the Government has to deal.”

## ADDITIONAL RATES (N.-W. P.) BILL.

The Hon'ble SIR J. STRACHEY also moved for leave to introduce a Bill for the levy of Additional Rates on Land in the North-Western Provinces.

The Motion was put and agreed to.

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

## ADDITIONAL RATES (OUDH) BILL.

The Hon'ble SIR J. STRACHEY also moved for leave to introduce a Bill for the levy of Additional Rates on Land in Oudh.

The Motion was put and agreed to.

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

## ADDITIONAL RATES (PANJÁB) BILL.

The Hon'ble SIR J. STRACHEY also moved for leave to introduce a Bill for the levy of Additional Rates on Land in the Panjáb.

The Motion was put and agreed to.

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

## ADDITIONAL RATES (CENTRAL PROVINCES) BILL.

The Hon'ble SIR J. STRACHEY then moved for leave to introduce a Bill for the levy of Additional Rates on Land in the Central Provinces.

The Motion was put and agreed to.

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

## SALT BILL.

The Hon'ble MR. HOPE moved for leave to introduce a Bill to amend the law relating to Salt. He said that, the object was, by raising salt-duties in the Presidencies of Madras and Bombay, to bring them nearer to the higher duties paid in Bengal, and thus to make a step towards equalizing the salt-duties throughout India.

The Motion was put and agreed to.

The Hon'ble MR. HOPE then introduced the Bill. He said:—

“I will trespass as briefly as possible on the patience of the Council in order to explain its provisions. In the Madras and Bombay Presidencies, the

salt revenue is levied in three different ways: there are import duties on salt brought from Foreign Territory, either by sea or land; there are excise duties on salt manufactured and sold by private persons, and there are the proceeds from the sale of salt manufactured on behalf of the Government, which comprise, in addition to the cost of manufacture, a profit intended to be equal to the duties.

“The Bill first raises the sea import duty throughout the two Presidencies from one rupee thirteen annas to two rupees eight annas per maund, by an amendment of the Indian Tariff Act of 1875. I may observe, in passing, that the Governor General in Council has power, by executive order, to reduce the duties prescribed in that Act, and that this power will be used now for the reductions in the Bengal Presidency, but that he cannot so increase them.

“Section 5 of the Bill provides that the duty on salt imported by land shall be equal to that on salt imported by sea, and sections 6 and 7 ensure that the excise duties shall also be equal to the import duties, while sections 8, 9 and 10 complete the new measure by making the price of salt sold by the Government equal to the sea customs duty *plus* the cost of manufacture.

“The final section of the Bill will enable the Government to re-arrange the graduation of the salt duty down the Orissa coast, so as to shade it off from the Bengal rate to the new Madras rate.

“With regard to sections 8, 9 and 10, relating to the price of what is called in the Madras Presidency monopoly salt, that is, salt sold on behalf of the Government, I must give a somewhat fuller explanation. The practice formerly was for the Legislature to fix the entire price in one sum. It was assumed that the cost of the salt to the Government was three annas per maund, and the price was therefore fixed at two rupees, or three annas in excess of the sea import duty. Persons interested in the sale of Cheshire salt, finding that that salt met with no market in the Madras Presidency, while the imports into the Bengal Presidency, where Government itself does not manufacture, amounted to from 250,000 to 300,000 tons annually, came to the conclusion that the cause lay in the difference of the systems by which the salt duties were levied in the two Presidencies. The Salt Chamber of Commerce at Northwich made representations through their President, Mr. Falk, to Her Majesty's Secretary of State and to the Government of India. The result was the appointment of a Commission who made an elaborate enquiry last year into the salt administration of the Madras Presidency, and submitted a full and valuable report to the Government of India. The question of cost was carefully investigated. It was ascertained that, taking the operations of ten years,

the average cost of salt per maund on the east coast of the Madras Presidency was over  $3\frac{1}{2}$  annas per maund, and on the west coast over  $8\frac{1}{2}$  annas per maund. This high rate on the west coast was owing to the fact that very little salt was made there, and the Government of Madras imported their supplies from Bombay. Considerable variations were also found on the east coast in the different districts, the cost in the Ganjam district being lowest, *viz.*, 2 annas 9·6 pies per maund, and that in the South Arcot district being highest, *viz.*, 4 annas 7·7 pies per maund. These figures, however, include every conceivable item of charge, such for instance as Police and Preventive Establishments, proportion of the cost of the Madras Board of Revenue and Collectors of districts, pensionary liabilities, &c. Most of such items are borne by the Government under an excise system also, and in the comparison of the two systems they should therefore be eliminated. The general result of the investigation thus was to show that the assumption that the cost of the salt generally was only three annas was incorrect, the fact being that it exceeded three annas by from half an anna, on an average, on the east coast, to six annas on the west coast, and consequently, that Government, by selling its salt at only two rupees a maund, favoured it, in comparison with privately imported salt paying a duty of one rupee thirteen annas a maund, to the extent of these amounts. At the same time, it was clear that Liverpool salt could not hope to compete with home-made salt on the east coast of Madras, even when the two were, as they ought to be, equally taxed. In Bengal, the case is different. The greater moisture of the climate, rendering solar evaporation more difficult, and the weakness of the sea brine from the quantity of fresh water poured in through the Gangetic delta, make home-made salt so expensive that Liverpool salt brought out as ballast at nominal rates now supplies the greater part of the Lower Provinces of Bengal. To the evil arising from underestimating the cost of production the Government of India to some extent applied a remedy before the appointment of the Commission, by passing Act XI of 1875 in March of that year. Under that Act, power was given to the Local Government to fix the selling price of Government monopoly salt in any local area by adding to the duty of one rupee thirteen annas per maund, the actual cost of the salt. Accordingly, in that month, the price per maund of Government salt in the west coast districts of Malabar and South Canara was raised by two annas for home-made salt, and by five annas for imported salt. This has recently been followed up, on the recommendation of the Commission, by the abolition of the Government monopoly, as it is called, in those districts, and when the Government stocks have been sold off, the supply of salt will be left entirely to private manufacturers paying an excise duty, and to private importers paying an import duty, the two duties being equal. The present Bill, while it repeals

Act XI of 1875, re-enacts its provisions, but puts them in operation throughout the Presidency. It prescribes that the selling price of Government salt shall be equal to the sea import duty on salt added to the cost of the salt to the Government. This cost may be determined by the Local Government for different local areas; but until it is so determined, it will be taken at the present sum of three annas per maund everywhere except in Malabar and South Canara, where it will be taken at five and eight annas per maund for home-made and imported salt, respectively. Under this system, it is impossible for private importers to allege that they are unfairly weighted in their competition with home-made salt.

“I have now performed the task which, with the view of relieving my friend Sir John Strachey, I gladly undertook. I feel, however, that I should perform that task in letter only, did I not add my own cordial concurrence in the measure, and my conviction of the wisdom and the foresight shewn in an equalization of the Salt duties throughout India? I trust that I shall not be held to qualify this concurrence in any way when I add, that in thus supporting legislation which adds considerably to the burdens of a Presidency which I in some senses represent, while simultaneous executive action carries large relief to Bengal, which, as His Honor the Lieutenant Governor has just truly said, is already one of the lightest taxed Provinces in all India, I rely confidently on the hope which Sir John Strachey's remarks afford, that the imposition of fresh taxation on the agricultural classes of the Bombay Presidency will be found to be unnecessary or undesirable.”

The Hon'ble Mr. HOPE then applied to the President to suspend the Rules for the Conduct of Business in order to allow of the Bill being passed at once, and said that the reason for this request was, that if any interval were allowed to elapse between the time when the intention of the Government to raise the salt-duty was known and the time of carrying into effect that intention, it would be made use of by traders in salt to purchase from Government, or to pass out from private works, or to import, as much salt as possible. To the extent that this was done, the Government would lose the increase of revenue which they expected from the raising of the duties. So much risk was there of this taking place that, although the Government would have been glad for statistical purposes to delay bringing the measure into force until the 1st January, thus leaving an interval of only four days from to-day, of which one day was Sunday, they came to the conclusion, after taking the best advice to be had on the subject, that even this would be dangerous, for it was understood that there were traders in Bombay capable of buying up the whole existing

stocks of salt there, and who would be very likely to do so, if time were given them, seeing the enormous profit to be made out of the transaction.

The President declared the Rules suspended.

The Hon'ble MR. HOPE then moved that the Bill be taken into consideration.

The Motion was put and agreed to.

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

The Motion was put and agreed to.

#### PRESIDENCY DISTRICT JUDGES (MADRAS) BILL.

The Hon'ble MR. STOKES moved that the Report of the Select Committee on the Bill to enable the District Judges of the Presidency of Fort Saint George to suspend and remove certain ministerial officers, and for other purposes, be taken into consideration. He said that the primary object of this Bill, as introduced, was to enable the District Judges of the Madras Presidency to suspend and remove the ministerial officers of Subordinate Courts. In introducing the Bill, he had pointed out that a similar power was wanting in the Lower and the North-Western Provinces of the Presidency of Bengal. The matter was referred by the Home Department to the two Local Governments concerned. Both agreed that the requisite addition should be made to the Bengal Civil Courts Act. The Select Committee to which the Bill was referred had accordingly made this addition. No other change had been made in the Bill.

The Motion was put and agreed to.

The Hon'ble MR. STOKES then moved that the Bill as amended be passed.

The Motion was put and agreed to.

#### INDIAN NEGOTIABLE INSTRUMENTS BILL.

The Hon'ble MR. STOKES also moved that the Hon'ble Mr. Morgan be added to the Select Committee on the Bill to define and amend the law relating to Promissory Notes, Bills of Exchange and Cheques.

The Motion was put and agreed to.

#### OPIUM ACT, 1876, AMENDMENT BILL.

The Hon'ble MR. HOPE moved that, in the order made at the last meeting in respect of the publication of the Bill to amend "the Opium Act, 1876," the following words shall be cancelled, namely:—

"and in the local Gazettes in English and in such other languages as the Local Governments direct."

He said that, he should explain that it was considered that as the amendments which the Bill would make in the existing law were so trifling, and as they were of a nature not to impose any fresh burden on the subject, it was unnecessary to incur the long delay which the publication of the Bill in all the Gazettes, both in English and in the Vernaculars, would entail.

The Motion was put and agreed to.

The Hon'ble Mr. HOPE then presented the report of the Select Committee on the Bill.

The Hon'ble MR. HOPE asked leave to postpone the motion that the report be taken into consideration and the motion that the Bill be passed.

Leave was granted

The Council adjourned to Wednesday, the 2nd January 1878.

CALCUTTA :  
The 27th December 1877. }

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