

*Friday,  
27th January, 1888*

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. XXVII

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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

VOLUME XXVII



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

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The Council met at Government House on Friday, the 27th January, 1888.

PRESENT :

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

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

The Hon'ble Lieutenant-General G. T. Chesney, R.E., C.B., C.S.I., C.I.E.

The Hon'ble A. R. Scoble, Q.C.

The Hon'ble Sir C. U. Aitchison, K.C.S.I., C.I.E., LL.D., D.O.L.

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

The Hon'ble J. Westland.

The Hon'ble Rana Sir Shankar Bakhsh Singh Bahadur, K.C.I.E.

The Hon'ble Syud Ameer Hossein, C.I.E.

The Hon'ble Rájá Peári Mohan Mukerji, C.S.I.

The Hon'ble W. S. Whiteside.

The Hon'ble J. W. Quinton, C.S.I.

The Hon'ble R. Steel.

The Hon'ble Sir Dinsha Manekji Petit, Kt.

The Hon'ble F. M. Halliday.

INDIAN STAMP ACT, 1879, AMENDMENT BILL.

The Hon'ble MR. WESTLAND moved that the Report of the Select Committee on the Bill to amend the Indian Stamp Act, 1879, be taken into consideration.

The Motion was put and agreed to.

The Hon'ble MR. WESTLAND also moved that the Bill, as amended, be passed.

The Motion was put and agreed to.

## TARIFF ACT, 1882, AMENDMENT BILL.

The Hon'ble MR. WESTLAND also moved for leave to introduce a Bill to provide for the levy of a customs-duty on petroleum. He said :—

“ In asking the permission of the Council to introduce a Bill of which the intention is to increase our revenue, I shall naturally be expected to give some account of our financial position, and to satisfy the Council that an increase of revenue is necessary upon financial grounds. This expectation is all the more justified in consideration of the fact that, last week, we exercised the power given to us by the Legislature, to make an addition of 25 per cent. to the Salt duties, a measure which deserves some explanation in view of the discussions which took place in the Council two years ago on the occasion of the imposition of the Income Tax in its present form. It would be absolutely impossible for me, within any limits of time, to go over anything approaching to the whole ground covered by our Indian accounts; and I would only weary the Council by leading them into a maze of figures in which all connexion would be lost. I shall assume, therefore, that the Council are already acquainted with the position which we realised in the Financial Statement of last March, when we presented our estimates shewing a practical equilibrium of revenue and expenditure. I shall adopt that Financial Statement as my standard, and shall explain, by reference to it, in what respects we now find ourselves worse situated than we then were.

“ I know there are people who will not allow me to accept that standard, alleging that it is in itself one of extravagant expenditure and should not be accepted as the foundation of a claim on the part of the Executive Government to an increase of its revenues. Nothing is more common among some of our public critics than to accuse us of wanton extravagance, but I always observe that these accusations waste themselves in generalities, and do not address themselves to specific items of expenditure which it is considered might with advantage be discontinued. There are some people who are so entirely unable to grasp the large figures in which our accounts are presented, that they assume that the fact of our expending 77 crores of rupees every year is in itself proof positive of entire absence of financial control. They forget the enormous area which this expenditure covers. Compare it with the expenditure of the United Kingdom; it is only 60 per cent. of the amount (77 crores against 128, which is the equivalent of 90 million sterling), and yet it covers an area ten times as large and a population seven times as large. Moreover, think how much the effect of this comparison would be enhanced if we were to include in the expenditure of the United Kingdom, as we do in those of India, the hospitals, the roads, and

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all the other expenditure that is in England charged to Local Rates, and even the expenditure on the maintenance of Railways. I know that the financial circumstances of England and of India are in many respects utterly incapable of direct comparison; but still, I think, we have some claim that those of our critics whose charges of extravagance are based only on the fact that our expenditure is stated in tens of millions, should bear in mind that the accounts we present are the accounts not of one Government, but of one Central and of nine Provincial Governments; and that of these Provincial Governments, five nearly equal in area, and somewhat exceed in population, the five principal Governments in Europe.

“ We published, in the Financial Statement of March 1886, the comparative figures of our accounts for the past ten years, and I have seen the argument drawn from these figures that the rapid rate at which we have allowed expenditure to increase argues an absence of proper control. I have seen it made a matter of accusation against us that our expenditure in the first of the series of years alluded to was Rx.\* 57,400,000, and in the last of them was Rx. 71,100,000, an increase on the face of it of Rx. 13,700,000, or something like 24 per cent. But it is almost a dishonest mistake to take the figures this way in the gross. Dip a little below the surface, and you find that of this Rx. 13,700,000, Rx. 6,800,000 arises in the account of Railways, and merely means that the Government possesses at the end of the period many more miles of Railway than it did at the beginning, and that it has to pay a much higher rate of exchange on the remittances necessary to pay the guaranteed interest. The extension of Irrigation accounts, in the same way, for Rx. 500,000; the famine insurance grant, which was not expenditure, accounts for nearly Rx. 1,000,000; a bumper opium crop accounts for Rx. 750,000; the extension of Post Offices and Telegraphs accounts for Rx. 600,000, but it brings in as big an increase of revenue as of expenditure. There remains only Rx. 4,000,000 to represent any real increase of expenditure; and of this amount even considerable sections would have to be written off as having no bearing on the question of financial control or economy. Rx. 300,000 of it, for example, mean that we remitted the putwari cess in the North-Western Provinces by taking over, as Government expenditure, the establishments which were maintained out of it, and another Rx. 300,000, represent the portion of Salt Revenue which we annually hand over to Native States under the arrangements completed in 1878-79,—a fiscal reform of the utmost importance which led not only to great development of revenue, but also to great economies in expenditure.

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\* The symbol “Rx.” indicates tens of rupees.

“The figures which represent any real increase of expenditure during the ten years under review are dwindling down very rapidly; we have less than 3½ millions still to account for—something like six per cent. during the ten years. And even of this we might at once strike off, as entirely beyond our control, an increase of Rx. 600,000 in the charges for exchange upon our sterling obligations, namely, Rx. 400,000 in the interest on Sterling Debt, and Rx. 200,000 upon Superannuation charges; and as almost beyond our control, another Rx. 600,000 of exchange charges upon the Home Military expenditure. We have almost brought down to Rx. 2,000,000 what may be called the net total of the voluntary increase of expenditure in ten years.

“Of course we might have refused even this amount of increase. We might have refused to open new courts of justice where the increase of the population or of business demanded it. We might have refused to increase police expenditure, which is still, in the opinion of many authorities, at a dangerously low figure, and run the risk of breeding insecurity to life and to property. We might have stopped the increase of schools and of hospitals and of roads. We might have shut our eyes to events in Central Asia, and refused the increases of political and of military expenditure, forced upon us by the approach of a great civilized power on our North-West Frontier. In short, we might have refused to discharge the duties and responsibilities of a civilized Government, either with respect to our own subjects, or to the nations which lie beyond our frontier; and those who think we should have observed this attitude are, to this limited extent, right in pointing to our increase of expenditure as evidence of want of financial control. With such people I do not care to argue, and the Legislative Council is not the place where such arguments are called for.

“But while thus contending that the gross figures of our accounts contain in themselves at least a presumption of the moderate scale of our expenditure, I am far from denying that there is expenditure which cannot be done without. I would only say with reference to the details of it that we who are engaged in the control of expenditure in India, are so impressed with the hugeness of the demand for expenditure which is, of itself, of a useful and beneficial character, that we are the last people to willingly consent to divert to purposes of extravagance, any money which can be made available to meet that more pressing demand. There is hardly any limit to the amount of money that can be usefully spent in India, and the business of the financial authorities, both Imperial and Provincial, consists far too often in refusing money for objects of which the desirability cannot be denied, simply because it cannot be found either out of revenue, or by economies in expenditure.

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“This is a process of exhaustion which goes on by a sort of compulsion and without intermission, in the ordinary course of the financial business of every department, and is sometimes helped forward by special enquiries, such as those made by the Finance Committee of 1886. That Committee has presented to Government a plentiful crop of suggestions which will continue for a long time to exercise the various departments; but I think I may say, both for the President of the Committee who now sits on my left and for myself, that throughout our enquiries we were greatly struck with the carefulness of detail with which expenditure was supervised, and with the very large proportion of cases in which, when we raised questions on the facts before us, we found that the questions were no new ones to the authorities concerned, but had been amply examined and discussed, long before we were set to work to put the authorities once more upon their defence. But in times of financial necessity, the line must be drawn closer. The Finance Committee’s work was to indicate in what way this might be done, and it has resulted not only in actual economies, the credit for a large instalment of which was taken in the estimates presented last year, but still more in establishing a more rigorous standard by which expenditure, actual and proposed, has to be judged. The expenditure which has passed the review of that Committee is not likely to be really liable to the charge of extravagance, and that which they did not accept as necessary and justifiable has been, or is being, elaborately examined in search of possible economies.

“I think I have said enough to convince the Council that in adopting, as the standard from which I am to start, the figures of the published estimate for 1887-88, I am not asking them to condone any past sins of extravagance; but am presenting the account of India as it stands after long years of close attention to the interests of economy.

“The period of ten years over whose history I have rapidly glanced, terminated with the year 1884-85; and two years ago Sir A. Colvin, in introducing the Income Tax Bill, described that year as the last of the fat kine; he said that the lean kine were come in, though he did not then know how terribly lean they were going to be. But those who have watched the course of Indian finance during the two years that have intervened since Sir A. Colvin in this place explained the then financial position, will be prepared for the announcement that, from causes which I shall presently explain, we are at the present moment even further from equilibrium than when the Government appealed to the Legislature for an extension of direct taxation. It seems to me that the best way of showing the nature and origin of the difficulties which have thus accumulated about our financial position will be to make a comparison between

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the figures of our accounts of 1884-85, the last year in which our financial position may be described as satisfactory, and those of the Budget Estimates of 1887-88. These Estimates shewed an equilibrium it is true, but it was, as Sir Auckland Colvin was very careful to explain at the time, an unstable equilibrium, an equality of revenue to expenditure, obtained only by pressing into the service of our expenditure revenues which up till then had formed a sort of reserve.

“For the purposes of this comparison, I have prepared, as my text, the following abstract of the accounts of 1884-85, and of the estimates of 1887-88. Abstracts, of course, may be made up in a hundred ways; but they all come to the same thing in the end, and are merely questions of the arrangement in which we choose to take up the subject in hand. The abstract I now put forward will be very easily traced back into its component figures in the published accounts; its main peculiarity is, that besides shewing the expenditure heads *net* instead of gross, I have separated the exchange figures, so that I may shew first how the comparison would have stood had there been no alteration in the exchange, and I have then shewn in a separate figure the extra charge falling upon us on this account. It will be seen that the totals up to which the Statement works shew that, whereas in 1884-85 we had 51 millions on the Revenue side, of which 48 went in Expenditure and 3 in Exchange, we find ourselves in 1887-88 with 3 millions more of Revenue, namely, 54 in all, but as Exchange now costs us 5 millions instead of 3, the 3 millions better Revenue afford us only one million for real increase of Expenditure.

000 omitted.

	Accounts, 1883-84.	Accounts, 1884-85.	Budget Esti- mate, 1887-88.
<b>EXCLUDING EXCHANGE—</b>			
<i>Revenue Heads—</i>			
	Rx.	Rx.	Rx.
Land Revenue . . . . .	22,362	21,832	22,937
Opium . . . . .	9,556	8,816	8,893
Salt . . . . .	6,145	6,507	6,604
Excise and Stamps . . . . .	7,350	7,618	7,942
Assessed Taxes . . . . .	526	512	1,406
Other Principal Heads . . . . .	6,098	5,795	6,345
<b>TOTAL PRINCIPAL HEADS . . . . .</b>	<b>52,037</b>	<b>51,080</b>	<b>54,127</b>
<i>Railway Revenue Account—</i>			
Railways net earnings . . . . .	8,066	7,685	9,002
Deduct Interest, Annuities and other charges . . . . .	—7,269	—7,563	—8,600
<b>TOTAL REVENUE ACCOUNTS . . . . .</b>	<b>52,834</b>	<b>51,202</b>	<b>54,529</b>



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	Accounts, 1883-84.	Accounts, 1884-85.	Budget Esti- mate, 1887-88.
<i>Expenditure Heads : Net—</i>			
	Rx.	Rx.	Rx.
Interest . . . . .	3,116	3,232	2,753
Civil Expenditure (a) . . . . .	19,609	20,021	21,616
Opium production . . . . .	1,855	2,966	2,505
Post Office, Telegraph, and Mint . . . . .	311	279	145
Irrigation . . . . .	547	573	753
Civil and Military Works, Imperial . . . . .	2,042	1,895	2,009
"    "    "    Provincial and Local (b) . . . . .	2,734	2,698	2,220
Army . . . . .	16,019(c)	15,200	16,907
Famine Insurance . . . . .	1,523	1,548	95
Railway Construction . . . . .	—176	263	75
<b>TOTAL EXCLUDING EXCHANGE . . . . .</b>	<b>47,580</b>	<b>48,225</b>	<b>49,078</b>
<b>EXCHANGE ON HOME EXPENDITURE . . . . .</b>	<b>3,375</b>	<b>3,364</b>	<b>5,434</b>
<b>TOTAL EXPENDITURE . . . . .</b>	<b>50,955</b>	<b>51,589</b>	<b>54,512</b>
<b>Surplus or Deficit . . . . .</b>	<b>+1,879</b>	<b>—387</b>	<b>+17</b>

“I have inserted, for purposes of comparison, the figures for 1883-84, but those I mean to deal with are the figures of 1884-85. The financial position in this last year may be called a position of equilibrium as we then understood the words. There is a nominal deficit of Rx. 387,000, but it is really due to the fact that the date with which our financial year ends, cuts in two the most active season of Land Revenue collection, and according to the distribution of the collections during the few days before and after March 31st, we get into the financial year sometimes a good deal more, and sometimes a good deal less, than twelve months’ revenue. In 1884-85, we got a good deal less, but this of course was a mere temporary feature, and accounts for the fact that what was really a position of financial equilibrium shewed in the accounts as a deficit of Rx. 387,000. In fact as we are taking a general view of the financial position, and not confining our observations to the casual circumstances of a single year, we may go further and say that the year 1884-85 would have shewn the surplus of Rx. 500,000 prescribed by the Secretary of State, had it not been that a bumper crop of opium required an expenditure, exceeding by much more than that amount the average expenditure of a series of previous

(a) Includes Marine.

(b) After deduction of the amount charged against accumulated balances of past years (i. e., Provincial deficit). When a Provincial Government draws on its balances to increase its expenditure, it is for the most part under this head that the increase occurs.

(c) Includes 1,000 (one million) arrear charges.

years. So that the financial position of that time might legitimately be described as one in which our ordinary standard of Revenue was sufficient to enable us to meet all ordinary expenditure, to set apart for famine insurance Rx. 1,500,000, to invest in Railway Construction Rx. 263,000, and to shew after all a surplus of Rx. 500,000.

“We have now to compare with this the Budget Estimates of 1887-88; and first let us look at the Revenue side. Land Revenue has of recent years increased pretty steadily at an average of Rx. 120,000 a year and in three years this gives us Rx. 360,000; besides the addition of Rx. 420,000 of Upper Burmah Revenue. Salt, Excise and Stamps have added Rx. 400,000 to our resources. The new Income Tax has given us nearly Rx. 900,000; and other Revenues, say Rx. 200,000, besides Rx. 100,000 in Upper Burmah.

“Railway earnings have increased, but hardly at a more rapid pace than the charges against them, on account, mainly, of interest and annuities; of course when exchange is taken into account the heavy addition more than swallows up all benefit by increased earnings, but we are at present dealing with the figures independently of this consideration.

“The saving under interest is apparent only; we have been borrowing in sterling, but it is under the head of Rupee debt that we make transfers from the ordinary to the Railway account of debt; and the apparent saving under interest on ordinary debt re-appears as part of the increase of charge on account of exchange.

“The Civil expenditure (which in our accounts unfortunately includes marine charges) has increased by Rx. 1,600,000, of which at least Rx. 1,100,000 is due to Upper Burmah; the rest I do not stop to analyze; some of it is a mere set-off against increased revenue, and some of it is the unavoidable excess of estimates which disappears when the accounts are made up.

“For Imperial Public Works our ordinary standard is Rx. 1,000,000 for Military Works, and Rx. 350,000 for Civil Works, but the budget of 1887-88 is charged, in addition to this, with Rx. 480,000 for Upper Burmah and with Rx. 200,000 for the construction of Military Roads on the North-West Frontier.

“The figures of Army Expenditure shew a very heavy increase; nearly Rx. 1,000,000 arise from the measures taken for the increase of its strength, which were alluded to in the speech of His Excellency the President on the occasion of the introduction of the Income Tax Bill. The real cost of these measures is over Rx. 1,500,000, but various economies and reductions have been secured under other heads of Military Expenditure, so that the net increase

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on the whole is stated under Rx. 1,000,000. But under this head we have also about Rx. 720,000 of special charges arising out of operations in Upper Burmah.

“We come now to the heaviest difference of all, the addition to the charge on account of exchange. Our remittances in 1884-85 were made at the rate of 19·31 pence (£1=R12·43), but in 1887-88 we estimated we could make them only at 17·5 pence (£1=R13·71); that is to say, each sterling pound of expenditure costs us 1·28 more in Rupees; and this difference, calculated on the whole amount of our sterling expenditure as it stood in 1884-85 (about £14,000,000), comes to Rx. 1,790,000. That is to say, that even if no increase of expenditure of any kind had occurred since 1884-85, we would still have to face an additional charge of this amount.

“Let us then summarize the changes that have taken place in our financial position between 1884-85, and the Budget Statement of 1887-88.

	Rx.
Army charges have increased by . . . . .	980,000
We are spending on Frontier Roads . . . . .	200,000
Upper Burmah is costing us—	
Civil and Marine charges . . . . .	1,100,000
Military and Civil Works . . . . .	480,000
Military Operations . . . . .	720,000
	2,300,000
DEDUCT—Revenue . . . . .	520,000
	1,780,000
Exchange adds to our account . . . . .	1,790,000
Total new demands . . . . .	4,750,000

These demands we have met as follows:—

(1) We have obtained by the imposition of Income Tax . . . . .	900,000
(2) And by other improvements of Revenue . . . . .	960,000
(3) We have stopped for the time the appropriation to Famine insurance of Revenue amounting to . . . . .	1,450,000
and to Railway Construction, of revenue amounting to, say . . . . .	260,000
(4) We have diminished the amount of Revenue assigned to Provincial Governments, thereby causing a reduction of their Public Works expenditure by . . . . .	500,000
(5) And finally we have absorbed the prescribed surplus of . . . . .	500,000
	4,570,000

“There remains Rx. 180,000 arising out of a number of smaller differences.

“This, then, was the financial position at the time of the Budget Estimates of 1887-88. The fall in the value of silver, the necessity of improving our military strength, and the expenditure connected with the occupation of a new province had absorbed not only the three years' improvement of revenue, but the whole of the margin which we possessed in 1884-85. Every rupee of the revenue shewn in the estimates of 1887-88 was pledged, as the financial statement put it, “for the necessary expenditure arising from our administrative needs;” and for the risks of war, and of famine, and of exchange, and of opium, nothing whatever was reserved. Nay, more,—we were pledged to heavy expenditure upon the defences of our harbours and of our North-West Frontier, and this expenditure, all unremunerative as it was, was entirely provided for by borrowed money.

“I can speak with the greater freedom in these matters, because in the advice I have given to the Government of India, I have throughout sought counsel of Sir Auckland Colvin. It is not that a new Finance Minister takes up the reins in the middle of the financial year, and changes the policy announced by his predecessor in his Budget Statements. The policy is the policy of the Government of India as a whole, whether Sir A. Colvin is its mouthpiece in March, or I become its mouthpiece in January. In the Financial Statement of March last it was clearly explained, that the question of increase of revenue by taxation had been before the Government, and that its consideration had been adjourned, not because the position was satisfactory, but because we had reached a critical point, and it was just too soon for us to determine exactly how matters would have to be settled. It is not without great reluctance and after serious consideration that the Government of India can proceed to measures of increase of taxation; and so long as the position was such that it was possible it might be tided over without taxation, we refrained from a proposal which we would have had to justify, more by our anticipations of what might happen to us, than by our knowledge of what had actually occurred. The small and continual changes, by which in more settled countries the revenue is from time to time adapted to the expenditure, are out of place in Indian finance; it is our duty to resist change as long as we can, but, when it is at last forced upon us, it is equally our duty to face it.

“The changes which have taken place in our financial position since the date of the Budget, have settled for us the question which was then held in suspense; the strain was then as great as we could bear without resort to new

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taxation, but there was just a glimmer of hope that it might be relaxed. That hope has vanished; the strain has increased beyond the capacity of our revenue to endure it; and we are driven to seek remedial measures.

“The first item in which our burden is increased is again that of Exchange. The estimate of 1887-88 was taken at  $17\frac{1}{2}$  pence. During the past year exchange had been as low as 16 pence, but it had rallied, and it stood at over 18 pence in the beginning of February 1887. There were signs of a fall just before the estimates were published, but with such an unstable item, it was possible only to take current facts for our standard; and we would not have been justified in taking, by anticipation, a lower rate, and founding on our anticipations a claim on the tax-payer's pocket. After the year opened, however, exchange settled down to a much lower rate than that of the estimates; and at that lower rate it has been so singularly stable, that the logic of facts compels us to assume, for all purposes of estimate of our financial position, the lower level, which seems for the present at least to be established, of just under 17 pence. Our present home expenditure is nearly £14,500,000; the military demands and the interest on the capital of the aided Railway Companies having added half a million to the standard of 1884-85; and upon this amount of expenditure the difference between 17·5 pence and 16·9 pence is Rx. 720,000.

“Then the railways have not been doing as well as we anticipated; our receipts under this head are greatly affected by circumstances so entirely beyond our control as the question of good or bad crops in America and in Russia, and the course of prices in England. We must necessarily accept such facts as they come, but the results of the year, up to date, are such as to shew that the Budget Estimate was based on too sanguine a view. We deal with huge figures under this head, for the gross earnings of the Railways which are paid into the Indian Treasury have recently been as follows:—

Actuals	. 1884-85	. . . . .	Rx.	15,958,615
”	. 1885-86	. . . . .	”	17,699,747
”	. 1886-87	. . . . .	”	18,109,537
Budget Estimate, 1887-88		. . . . .	”	18,428,770

“The active Railway season comes at the end of the financial year, and it is quite possible that we may witness a partial recovery before the year's account is closed; but as matters at present stand, our best estimate is that the net result of the Railway account, even after allowing for the reduction of working expenses, which becomes possible in a time of smaller earnings, may be Rx. 400,000 worse than in the Budget Estimates; and seeing the large amount

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of unremunerative capital expenditure that is going on, we should not reckon on any immediate improvement bringing in more than will cover the additional interest charges.

“In still one other respect have I to report what looks like a permanent deterioration in the financial position; it is in the effect on our opium revenue of the recent convention regarding the collection of duty in China. In the case of Bengal opium, the addition, or the additional certainty, of the duty in China reacts directly in reducing the auction price; in the case of Bombay opium, we get our full duty, but we cannot expect, if the Chinese maintain the rate of 110 Taels, to maintain the present amount of the export. The loss in the current year will be something between Rx. 250,000 and Rx. 300,000 as compared with Budget Estimate, and it would be unwise to fix the standard of future revenue higher.

“I have mentioned that Rx. 720,000 of special military expenditure in Upper Burmah was proposed in the Budget Estimates for 1887-88. The Government have not found it possible to reduce this expenditure so soon as was anticipated, and the figures of 1887-88 will shew a considerable excess over the Budget Provision. But measures of reduction are now being carried out, and we hope next year to get off with no more than the expenditure estimated for 1887-88.

“The deterioration in our position which we have to face is, therefore, thus made up—

	Rx.
Exchange . . . . .	720,000
Railways . . . . .	400,000
Opium . . . . .	300,000
	<hr/>
TOTAL	1,420,000
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“If I have succeeded in making plain the financial position with which we started in the estimates presented last March, it will be immediately evident that we are now under an obligation to seek, by improvement of revenue, at least this amount of amelioration.

“I know that it may be objected that part at least of the expenditure which was charged in our estimates is of a temporary and special character only; that it is of the nature of capital invested once for all. We have a new province, for the acquisition of which we have to pay large sums of money on account

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of military and military police charges. We have to fit it out with new roads and new buildings, civil and military; in short with all the appliances of a civilized administration. It is a country which we hope will ultimately pay even in a purely financial sense, but just at present it imposes upon us, as was shown in the last Financial Statement, a net expenditure which may be stated at Rx. 1,780,000. It may be said of this and of the Rx. 200,000 of frontier roads in the Punjab, that they are a sort of Capital expenditure which we should not charge upon the revenues of the year. But there is really only one logical distinction that we can draw with reference to expenditure of this class. If in respect of any of the expenditure we are now incurring, we calculate that it will produce in future a revenue sufficient to meet the burden of the interest, we may without fear meet it out of borrowed money, because we know that though we refuse to bear the burden now, we throw no burden upon our successors which we do not furnish them with the means of meeting. The financial position of future years will not be the worse for the course of action adopted by us. But in the case of expenditure, whether we call it expenditure on Capital account or on any other account, which will not in future be financially reproductive, we have absolutely no choice left us, but either to meet it out of the revenue of the current year, or by borrowing to throw the charge upon the unincreased revenues of future years; no amount of re-arrangement of accounts can alter the fact that it is a charge against the existing scale of revenue either of the present or of future years. It may be a fair question for discussion, to what extent we are equitably entitled to throw forward such burdens, and to the extent to which we are so entitled, we may fairly face a deficit and leave it to succeeding years to make it good by contributions which will continue after the expenditure has ceased. But there is assuredly no justification for our throwing forward *the whole* of the burden, and compelling future years to bear a charge to which we contribute nothing ourselves.

“ But, in distributing the burden between ourselves and future years, we must take into account the whole of the circumstances. The Budget standard of Revenue and Expenditure was Rx. 77,450,000, and we have, as just explained, lost Rx. 700,000 of revenue, and added Rx. 720,000 of expenditure; so that we have now Rx. 76,750,000 of Revenue to meet Rx. 78,170,000 of expenditure. Even if we admit the division of this last into Rx. 1,980,000 of extraordinary expenditure and Rx. 76,190,000 of ordinary, the result will be that, after providing for our ordinary expenditure, we have a surplus of only Rx. 560,000 to set against the so-called extraordinary expenditure of

Rx. 1,980,000. But unfortunately we have, of this last class of expenditure, not only the Rx. 1,980,000 just mentioned, which are inside the revenue account of our Budget Statement, but we have also the following amounts which we have not yet considered, and which are shewn among the expenditure charged to loan; namely, about Rx. 750,000 for special defence works and Rx. 1,000,000 for improvement of Railway communication on our North-Western Frontier. We have thus a total of unproductive expenditure of Rx. 3,730,000, and there is no doubt that this rate of expenditure will last for two or three years yet. Can it be pretended, that we do our duty if we contribute to this large amount no more than Rx. 560,000 out of the current revenue, and throw forward the balance of Rx. 3,170,000 as a burden to be met in future years? And the real state of the case would stand even worse than this, for as we have for the present thrown off the burden of insurance against famine, the Rx. 560,000 is all the contribution we have to offer, both for the chances of famine and for the heavy unproductive expenditure to which I have alluded. I do not think that, on the most selfish reckoning of the account between ourselves and future years, such a policy could be justified.

“It is only too likely that future years will have their own burdens to bear. We are a little too apt to talk of our own special burdens as if the financial sky would clear when they passed away, but Indian Financial history shows that they too often pass away only to be succeeded by special burdens of a new kind, and that we should not too easily reckon on future years retrieving a position now lost. There is only one respect in which we have before us a certainty of relief, namely, that the conversion of the 4 per cent. sterling stock into 3½ per cent stock, will, not next year but in the year after that, reduce our interest charges by £260,000 or Rx. 370,000. We may regard this as a partial insurance against further depreciation, but it is no warrant for our declining to undertake the measures that are necessary to render our present position sufficiently secure.

“I have now described the financial position, and the necessity which lies upon us of seeking to improve it by a considerable addition to our revenues. The Council are aware in what direction we have sought the greater part of the remedy, and that on Thursday, January 19th, we used the powers given us by the Legislature to raise the Salt Duty from Rs. 2 to Rs. 2-8 in continental India, and from 3 annas to Re. 1 in Burmah.

“After what was stated here two years ago, by Sir Auckland Colvin when introducing the Income Tax Bill, I need not say that it is with the greatest



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reluctance that the Government finds itself obliged to have recourse to the Salt Duty. The Government, in the beginning of 1886, appealed to the Legislature on the ground that before resort was had to a tax which falls on the millions of the poorer classes, it was bound first to obtain a reasonable contribution from the more wealthy. But that having been done, we are now obliged to proceed one step further, and adopt the measure from which we then were able to escape.

“When the Salt Duty, in 1882, was reduced from Rs. 2-14 in Bengal and Rs. 2-8 in the rest of India to Rs. 2, Sir Evelyn Baring wrote thus (*vide* Financial Statement for 1882-83, paragraphs 192 and 201) :—

‘192. In answering, therefore, the question of how far we may safely take off taxes in reliance on the Opium Revenue, a great deal depends on the nature of the tax we take off. If we abandon a source of Revenue which involves a permanent and absolute loss of money, and which moreover, from whatsoever reason, it would be difficult, in the event of the Opium Revenue failing, to restore to its former position, then the course would be open to great objection. If, on the other hand, we reduce a duty with a fair hope that the reduction will increase consumption, and thus, after a while, recoup us for any loss, and if, moreover, the duty can, without any great fiscal disturbance, be re-imposed in the event of the Opium Revenue falling off, then the reduction of taxation would be unobjectionable. The Salt Duty falls within the latter of these two categories.’

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‘201. I have said that, by reducing the Salt Duty, the general financial position will be strengthened. We hope that we shall be able to maintain the duty at Rs 2 a maund, and we have at present no reason to suppose that we shall be unable to do so. By a return to a higher rate we should, of course, to some extent at all events, sacrifice the main object we have in view, *viz.*, to afford some relief from taxation to the poorest classes. At the same time I should observe that if any unforeseen circumstance, such as a heavy fall in the value of silver, takes place, and if, at the same time, the reduction in the Salt Duty does not result in any considerable increase in the consumption of salt, it would be open to us to return temporarily to a higher rate. This is an expedient to which the Government would have recourse with great reluctance. I allude, however, to the possibility of its adoption, for it is clear that should an emergency arise of a nature to diminish our other sources of Revenue or to increase our Expenditure, we shall be in a better position to meet it if the Salt Duty is Rs 2 a maund than if it were levied at a higher rate.’

“The circumstances under which Sir E. Baring said that the Government might find it necessary to increase the salt duties, have now been realized. The value of silver has heavily fallen; the rupee was 20*d.* when Sir Evelyn Baring wrote, it is 17*d.* now. The opium revenue has failed; for it was then Rs. 9,800,000, and we now put it at Rs. 8,600,000.

“The following statistics, which exclude the figures relating to Burmah, may be given as shewing the consumption of salt and the duty paid on it. The figures are for the sixteen years ending 1886-87; and it may be added that the first nine months of 1887-88 shew only a very small advance over the same period of 1886-87 :—

Year.	Consumption in thousands of Maunds.	Salt Duty in thousands of Rx.
1871-72 . . .	22,280	5,723
1872-73 . . .	22,833	5,902
1873-74 . . .	22,918	5,876
1874-75 . . .	23,182	5,906
1875-76 . . .	24,720	5,874
1876-77 . . .	24,557	5,985
1877-78 . . .	24,676	6,189
1878-79 . . .	25,205	6,511
1879-80 . . .	27,071	6,910
1880-81 . . .	26,660	6,751
1881-82 . . .	27,158	6,976
1882-83 . . .	28,720	5,729
1883-84 . . .	29,169	5,815
1884-85 . . .	30,746	6,129
1885-86 . . .	30,081	6,003
1886-87 . . .	31,633	6,338

“It may be noted, with reference to these figures, that, reckoning upon the averages above shewn, we may divide the whole into two periods. During the earlier of these, which preceded the reduction of duty in 1882, the rate of increase of consumption averaged annually 2·2 per cent. ; while since the reduction of duty the annual increase has averaged 2·7 per cent.

“The figures shew also that the extra duty of eight annas may be expected to bring in an extra revenue of Rx. 1,600,000, and considering the improvement in all means of communication and the generally improved condition of the people, we may reasonably hope that the burden of a duty of Rs. 2-8 will not now have any effect in restricting the rate at which the consumption is increasing.

“The case of Burmah is different from that of the rest of India. The duty there has been three annas only, and as the Government of India were bound by treaty to permit salt to enter Upper Burmah at a very low rate of duty, it was practically impossible, while that treaty was in force, to levy, in the shape of Salt-tax, from the people of Lower Burmah, the same contribution which was

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paid by the inhabitants of the rest of India. Another reason used to be urged in the same direction, namely, that the capitation tax in Burmah—or rather the capitation system of assessing Land Revenue—took to some extent the place of the Salt Tax in Continental India. It is very difficult to draw comparisons between the burdens of taxation in the various parts of India,—especially when circumstances differ so much as those of Burmah and of Continental India,—but the present Chief Commissioner is strongly of opinion that the increased tax can easily be borne, and should certainly be raised. The present enhancement of the Burmah salt duty will add to the Revenues about Rs. 125,000.

“It is to be noted also, as regards Burmah, that we do not intend to renew the exemption from income tax which hitherto, for administrative reasons, has applied to Lower Burmah. The tax legally applies to the whole of Lower Burmah, but assessment and collection will be made only in towns and centres of trade. We therefore intend, in Lower Burmah at least, as in India generally, to make the richer classes contribute according to their means, while we impose the general salt tax on all classes alike. In Upper Burmah, too, we hope to increase the revenue by taking measures for the restriction and taxation of the traffic in liquors and opium. We are carefully collecting information towards this end, as we are determined that any excise system which we introduce in Upper Burmah shall be really the imposition of a tax upon existing trade and shall not involve the expansion or creation of a trade where little or none exists.

“Another measure which the Government proposes to adopt for the increase of its revenues is the imposition of an import duty upon petroleum. Import duties in India are matters that require delicate handling, but there is not the slightest occasion for us to take up the questions affecting such duties generally. I have only to say that we want money, and that whatever may be the case regarding other imports, petroleum is an article in respect of which most of the theoretical objections to an import duty disappear. The importation is, necessarily, and quite apart from any levy of duty, subject to rules and restrictions, which can very easily be made to lend themselves to the convenient and certain collection of duty. The oil is for the most part of a few well-recognized brands, so that there is no difficulty in fixing its value for purpose of duty. The production is a monopoly of one or two countries (mainly, America and Russia) with which the production of India or of other countries can hardly enter into competition, and the circumstances are such that the advantage which the producing countries at present have, will remain practically unaffected by the small duty we propose to levy.

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“So far as the consumer is concerned, he will certainly, even after the tax is levied, be better off than he was only a year or two ago; we are taking from him only a small part of the benefit he has received through development of the trade during the past few years.

“The statistics of the trade are as follow :—

*Imports of Mineral Oil.*

Year.	Quantity, Gallons.	Value, R Lakhs.	Value per Gallon.
			R
1873-74	Not stated	3.51	...
1874-75	Not stated	7.98	...
1875-76	621,530	4.46	•719
1876-77	439,123	4.91	1.12
1877-78	2,405,405	22.67	•942
1878-79	3,775,674	27.17	•719
1879-80	7,888,247	48.19	•611
1880-81	10,060,026	48.70	•485
1881-82	9,883,049	50.40	•511
1882-83	21,059,668	92.93	•441
1883-84	18,883,838	56.17	•407
1884-85	27,306,999	115.82	•425
1885-86	21,311,942	85.18	•400
1886-87	31,949,633	125.99	•395
1887-88 (8 months)	20,817,770	80.51	•387

“As the value of the imports of this year is slightly in advance of the quantity imported during the same months of last year, we may estimate the probable annual import at the value of 130 lakhs of Rupees, on which a five per cent. duty will give us an income of Rx. 65,000. The cost of collection will, we anticipate, be very little.

“For this project the sanction of the Legislature is required, and it is for permission to introduce an amendment of the Tariff Act for this purpose, that I now apply to the Council.

“The Government have considered the question of imposing a counter-vailing excise duty on oil produced in India, but have decided that this should not be proposed. The only Indian production on any considerable scale is that above Thayetmyo in Burmah. The production there is about 2,400,000 gallons, but as 80 per cent. is lost in refining, there is less than half a million gallons for consumption. A Company which exploited the wells near Akyab, was

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driven from the market by the competition of American oil. There is a little oil in Assam, but it is not worked, and there is oil round about Rawalpindi, but it is not yet exploited, except to a very limited extent for Government purposes. The Government is labouring with some slight success, to obtain oil at Khattan, in Biluchistan. All these, however, are at the best mere nascent industries, which are utterly out of any chance of competition with imported oils, and the machinery of an excise duty is not required and should not, in the opinion of the Government, be applied.

“The two sources of revenue to which I have mainly made reference, will give us an enhanced income of Rx. 1,790,000; and we may add Rx. 100,000 as a moderate estimate of the produce of the other revenues to which I have referred. With these our financial position, supposing no further fall in exchange, and no further loss of opium revenue to take place, two contingencies upon which it would be rash to calculate, may be stated in the following way:—

<i>Revenue.</i>	<i>Rx.</i>
Ordinary and Recurrent revenues as they at present stand	76,750,000
New Salt Duties . . . . .	1,725,000
Petroleum . . . . .	65,000
Assessed Taxes and Excise in Burmah . . . . .	100,000
	87,640,000

<i>Expenditure.</i>	<i>Rx.</i>
Ordinary and Recurrent Expenditure, being Rx. 560,000 short of Revenue . . . . .	76,190,000
Special expenditure of which, except in the item of Military Expenditure in Burmah, no reduction can be expected for two or three years—	
(1) In Upper Burmah, in excess of Revenue . . . . .	1,780,000
(2) Frontier Roads on the North-West Frontier . . . . .	200,000
(3) Special Defences . . . . .	750,000
	2,730,000
Total charged on Revenue Account . . . . .	78,920,000

“ Besides Rx. 1,000,000 of North-West Frontier Railway Expenditure which is practically of the same category as this last, but is shewn as Railway Capital Expenditure outside the Revenue Account.

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“The Secretary of State, although in modification of former orders he has directed that the special defence expenditure of Rx. 750,000 should be shown inside the Revenue Account, undertook, in his Budget explanation to Parliament, that the step would not involve the raising of taxation to meet it. Leaving

Revenue	:	:	78,640,000
Expenditure	:	:	78,170,000
Surplus	:	:	<u>470,000</u>

ing it out of the account therefore, we have a surplus on the revenue account of Rx. 470,000, which is certainly not too much to estimate for, in the face of the risks of further fall in the price of opium and of silver, and of the fact that we are providing nothing for famine insurance and are throwing forward Rx. 1,750,000 of financially unremunerative expenditure, namely, the present annual outlay on special defences to our Harbours and Frontiers, and on Military Railways on our North-West Frontier.”

The Hon'ble RÁJÁ PEÁRI MOHAN MUKERJI said:—“I had no notion that the Hon'ble the Finance Member, in moving for leave to introduce a Bill for imposing customs-duties on petroleum, would take occasion to place before the Council a statement of the financial position of the Government of India. As a non-official member of Your Excellency's Legislative Council, I wish it to be understood that, without a careful examination of the statement and of the arguments with which the Hon'ble the Finance Member has supported his figures, I am unable to say whether his reasons and the details he has submitted have my full concurrence. The additional duty on salt which Your Excellency has lately imposed by executive order has given the Government of India about £1,500,000, and it is at the same time a measure which has given very general satisfaction as one which will not touch to any appreciable extent even the poorest in the land. If more money is wanted, I think we should look in the direction of the import-duties. There might be reasons why the Government should not try to re-impose any import-duty on cotton twist and yarns and cotton piece-goods, which would give the Government of India a very large revenue, but I should think that petroleum is rather an insignificant article of commerce to impose a duty upon. The total value of the article imported to this country barely comes up to a million sterling, and we should remember also that it is one of those articles which has found its way to the homes of the poorest people of the land. Any duty imposed upon it would therefore touch even the poorest classes. There are other things, such as hardware and metals, which are imported to this country to a very large extent. If I am not mistaken, metals to the value of nearly £6,000,000 are imported annually into this country, and about £1,000,000 worth of hardware, and the duty on either of these articles would not touch poor people. I submit these facts to the consideration of the Hon'ble Council and of the Hon'ble the Finance Member.”

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The Hon'ble MR. WESTLAND said:—"The observations which the last speaker has made tended rather to open out the question which I deliberately avoided taking up, namely, that of the import-duties generally. It seems to me that, whatever might have been the objections to the removal of the import-duties at the time,—and I know that a number of people, especially those connected with the commerce of the country, thought that the removal of the import-duties was not called for,—the fact of the import-duties having gone renders it practically impossible for us to re-impose them. As regards the proposal that, leaving the cotton-duties alone, we should impose an import-duty on hardware, I have only to say that the question of the imposition of import-duties generally was one which, from many points of view, it was very difficult to take up; and that, as petroleum offers itself in a very easy manner to the production of a small duty, we have only at present made a proposal to impose an import-duty on it, without going further. I fancy that next Friday we shall have some more observations regarding the possible sources of revenue, and it is better for me to reserve till that day any observations I have to make on the general question of raising revenue. I may take this opportunity of making some observations with reference to the procedure adopted by the Government in raising the salt-duty the other day, because I have seen opinions expressed in some newspapers to the effect that the Government was not justified in resorting to what was considered an extraordinary means of raising the duty, namely, by issuing suddenly an executive order for raising an additional revenue of Rs. 1,600,000. I think we are justified, in the first place, by the consideration that, the legislature having laid down a definite mode of imposing the salt-duty, it was not open to the Government of India to proceed in any other way. Besides, to announce the imposition of the duty beforehand would only be to disturb and disarrange the whole trade. If we were to announce to those who were engaged in the salt trade that the duty of Rs. 2, which was at present levied, would at some future date be raised to Rs. 2-8, the only result would be that everybody would make a rush to at once clear out the whole of the salt they could possibly get, and the result would be that a great part of the duty which we intended to impose would be evaded, to the advantage of a few individuals and the general loss of the State. It is always advisable, in the case of the imposition of new tariff-duties, that the new measures should be taken suddenly and at once, so that every person might, as far as possible, be placed upon a precisely equal footing."

His Excellency THE PRESIDENT said:—"I do not think it necessary at

this stage of the proceedings to trouble the Council with any special observations in regard to the motion before it. But I cannot help expressing my satisfaction at hearing from our hon'ble colleague Rájá Peári Mohan Mukerji that the recent increase which we have made in the salt-duty has met with his approval. Representing so fully as he does the views of the intelligent and educated Native community of India, that expression of opinion on his part is very valuable. Of course it is with extreme reluctance that any one in my position can give his consent to any increase to the burdens of the people of India. Unfortunately it has become my lot on two several occasions to add to the taxation of the country. But in justification of this hard necessity it is sufficient for me to remark that since my arrival in India, owing to the depreciation in the price of silver, the annual accumulative loss to the Government has progressively increased year by year by a million pounds sterling. The loss in 1884-85, when I first took up the reins of government, stood at £3,400,000; in 1885-86 it amounted to £4,400,000; in 1886-87 to £5,400,000; and now in 1887-88 to £6,200,000. But, even in the presence of these growing embarrassments, I would certainly have been unwilling to have agreed to an increase of the salt-tax, had it not been, as the Hon'ble Mr. Westland has most clearly explained to the Council, that a somewhat unexpected loss of revenue had declared itself during the last year under two other heads—through a fall in the price of opium and in our railway receipts. As the Government would not have been in a position to suggest to the Council on other grounds than those of mere conjecture that any improvement would take place in future years under the head of exchange or even under either of the other two heads of income I have referred to, it became obviously our duty at once to strengthen our financial position and to provide ourselves with a working surplus. By the executive measure which we adopted a few days ago, and by the Bill which is now about to be introduced into the Council, I trust that this satisfactory result will be obtained. I am very glad that my hon'ble friend Mr. Westland has noticed the circumstances under which the Government was induced to issue a Gazette notification raising the salt-duty. In acting as we have done, we have merely acted in accordance with the intentions of an Act of the Legislature which placed us in possession of those powers which we put in motion. To have adopted any other course would have been undesirable. To have given the kind of notice which some persons seem to have desired would have only benefited a certain number of individuals at the expense of the community at large. I can quite understand that my hon'ble colleague Rájá Peári Mohan Mukerji should have felt himself—and



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in that respect he has merely expressed what, I am sure, is the feeling of his colleagues—unable at this stage of the proceedings to enter into any of those larger questions of finance which my hon'ble friend Mr. Westland has brought to the notice of the Council. But I hope that he will appreciate the desire of the Government of India, in submitting to the Council so full a financial statement as that made by Mr. Westland, to profit by the experience and advice of those eminent gentlemen I see around me."

The Motion was put and agreed to.

The Hon'ble MR. WESTLAND also introduced the Bill. He said:—"The Bill, as hon'ble members will see, consists of two sections. The first makes a formal addition to the schedule which imposes import-duties under the Indian Tariff Act of 1882. In that schedule we have adopted the definition of 'petroleum' which is given in the Petroleum Act, and it will be seen that our proposal is to impose an *ad valorem* duty of 5 per cent. The second section has for its object to make perfectly clear the manner in which, and the extent to which, the duty shall be brought into operation. There is a proviso in the Sea-customs Act—namely, under section 37—which has the effect, with reference to articles on which an existing duty is raised, of exempting from increased duties those shipments in respect of which port-clearance has already been granted, that is to say, which are in course of import but which have not yet passed the custom-house. This proviso, we are advised, does not, as a matter of law, operate in the case of petroleum, because the duty on petroleum is not raised, but a new duty is imposed. But if this proviso under section 37 did apply, then we are of opinion that we ought specifically to provide that it should not do so. The operation of section 37 is practically to give to people who happen to be possessors of petroleum at sea an advantage which is an advantage gained at the cost of the State; whereas every other person who is a producer of petroleum will have to pay the duty, those who happen to be the possessors of the petroleum which is on the sea obtain the advantage of landing it free, while the action taken by us will probably have the effect of raising the price in their favour. It seems to us unnecessary, if we do wish to raise a tax on petroleum, to secure for these petroleum dealers a special advantage of three months, and therefore we propose to the Council that the proviso of section 37 shall not apply in the case of the imposition of this new duty upon petroleum. At the next meeting of the Council I shall move

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that this Bill be taken into consideration with the view of having it passed, if the Council approve, on the same day."

The Council adjourned to Friday, the 3rd February, 1888.

S. HARVEY JAMES,

*Secretary to the Govt. of India,*

*Legislative Department.*

FORT WILLIAM; }  
*The 3rd February, 1888.* }