

*Friday,
3rd February, 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.

The Council met at Government House on Friday, the 3rd February, 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.C.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 G. H. P. Evans.

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

The Hon'ble R. Steel.

The Hon'ble Sir Dinshaw Manockjee Petit, Kt.

The Hon'ble F. M. Halliday.

INDIAN TARIFF ACT, 1882, AMENDMENT BILL.

The Hon'ble MR. WESTLAND moved that the Bill to provide for the levy of a customs-duty on petroleum be referred to a Select Committee consisting of the Hon'ble Messrs. Scoble, Whiteside, Steel and Halliday and the Mover, with instructions to report in one week. He said :—

“Last week I explained to the Council that I would on that day week propose that the Bill for the levy of a customs-duty on petroleum should be taken into consideration by the Council. But since then some circumstances have been brought to my knowledge which render it desirable that the Bill should be laid before a Select Committee before it is brought up before Your Excellency's Council. In the first place, there is a difficulty in the definition which we have

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applied to petroleum. It has been explained to us that this definition covers not only illuminating oils, which we ordinarily understand by petroleum, but a number of oils which are used for such purposes as lubricating and 'batching'—a process in the preparation of jute for manufacture. It is not our intention to impose a tax on lubricating or batching oil; and if we can by amending our definition more accurately exempt these oils from the operation of the duty, it is desirable to do so. Then, besides this my hon'ble friend Mr. Steel has brought to my notice that, owing to circumstances connected with the trade in petroleum, there are reasons why it is desirable that, in lieu of an *ad valorem* duty, a duty of so much per gallon ought to be adopted. My hon'ble friend will, no doubt, explain this matter in full to the Council, but, as the proposition has been made, I think it is desirable that it should be considered with more deliberation than can be done at a meeting of this Council. I therefore propose that the Bill be referred in the first place to a Select Committee. We shall lose a week's revenue at least by this step, but, considering the support which Your Lordship's proposals have received from the mercantile community, and even from the firms which are engaged in the import of petroleum, I think it is desirable that we should meet their convenience by examining the details of the Bill in the light of the opinions which they have given us. I hope by this means to be able to produce the Bill before the Council after another week in a form in which it will be possible for the Council to pass it."

The Hon'ble SIR DINSHAW MANOCKJEE PETIT said:—"Not having read the statement of the financial position of the Government of India which the Hon'ble Mr. Westland had placed before the Council at the last meeting in moving for leave to introduce the Bill for the imposition of a duty on petroleum, I was not able to express an opinion on the question then; but now that I have gone through this statement I see that the major portion of the loss which the Government has sustained was owing to the low rate of exchange, over which no one had any control, and in order to recoup this loss to some extent I am of opinion that an *ad valorem* duty on petroleum appears to be the least objectionable. Kerosine is now largely used by even the poorest classes. Take, for instance, a family consisting of four persons of this class; the weekly consumption of this oil among them is very often less than one quart bottle; and, if a duty of five per cent. is imposed on a 10-gallon case holding about 48 quart bottles and worth from Rs. 3 to Rs. 5 according to quality, the amount of duty, say, on a case worth Rs. 5 would be four annas (or 48 pies), and that is about one pie a quart bottle. Consequently this duty will not prove at all oppressive even on the poorest classes. I see that an objection in some quarters has been

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raised against the increase in the salt-tax of an additional duty of eight annas per maund ; but, if the figures on this question are gone into, it will be found that this increase would be as little felt by the masses as would the duty on petroleum. As circumstances have arisen which necessitate the imposition of a duty on petroleum, and as this imposition would not, as I have above shown, at all affect the poor, I have nothing to say against its being levied.

“ To recoup the continued heavy loss which has to be sustained every year in exchange, and which loss may hereafter still increase since exchange has fallen within a short time from 1s. 7d. to 1s. 5d., and may go still lower to 1s. 3d., I have to suggest that the question of imposing an import and export duty be considered, and for this purpose Government should, if it think it advisable, ask for the opinions of well experienced European and Native merchants in the three Presidencies, to see what their feelings and views on the subject are.”

The Hon'ble MR. STEEL said :—“ In the remarks which I propose to make I will, in the first place, address myself to the subject of the Bill now before the Council.

“ I take no objection to the principle involved in the taxation of imported petroleum. On the contrary, I am convinced that, if additional revenue be required, there is no less objectionable source from which it can be drawn. I would have preferred that the amount of the duty had been fixed at an anna per gallon, which would have produced 20 lakhs, as it appears doubtful policy to impose a tax which will yield but 6½ lakhs of revenue. Even the higher rate of duty would not, in my opinion, materially affect the consumer, nor impede the development of trade. A tax on petroleum possesses the important advantage that it will involve little wastage for the cost of collection. The revenue derived from it promises to increase steadily from year to year, and will eventually be a valuable resource. But, while approving of the principle of the Bill, I desire to suggest that it may be greatly improved by substituting a tax on measurement for an *ad valorem* duty. A tax on value will give rise to disputes in appraising the oil. It will tend to discourage imports of the purer qualities of oil, and will encourage shipments of the cheaper and more dangerous kinds such as have in former years caused much trouble to Government. There is another objection to an *ad valorem* duty on this article. The value of a case of petroleum consists in about equal proportions of the cost of the oil itself and that of the tins and box in which it is packed. Now, if oil be imported in tanks and landed in bulk, such oil would practically be admitted at one-half the duty imposed on goods landed

in the customary packages. I believe there is a probability that Russian oil may soon be imported in tanks. I am in a position to inform the Council that importers would prefer a duty of 4 annas per case of 8 imperial gallons, which would yield 10 lakhs of revenue, to the 5 per cent. duty on value proposed in the Bill and estimated to produce 6½ lakhs. Any oil imported in bulk might pay the same duty of half an anna per imperial gallon. I trust these suggestions may be considered by the Select Committee. The hon'ble member has explained to us that the second clause of the Bill is designed to make it clear that the immediate operation of the law will not be limited or restrained by the reservations of the Sea-customs Act, which, if they had applied, would have permitted shipments cleared for an Indian port before the passing of the Bill to escape free of duty. On this point I entirely agree with my hon'ble friend. In the case of the recent enhancement of the salt-duty, the effect of section 37 of the Sea-customs Act has certainly been to benefit individuals at the cost of the public revenue. I should be glad to see the recurrence of such an anomaly prevented, and would be prepared to support a modification of the law repealing the clause in question. While on this point I must express the surprise and regret with which I have seen blame imputed to Government for enhancing the salt-duty by an executive order. Speaking on behalf of the mercantile community, I do not hesitate to say that any other course would have involved most serious loss to the revenue, for which Government would have been justly held responsible. The unfortunate proviso of the Sea-customs Act to which I have referred has put 10 lakhs into the pockets of individuals at the cost of the public. A fortnight's notice of your intention would have doubled the loss to the country.

“The writers in the press seem to be ignorant that Government possesses statutory power to increase the salt-duty to any point within three rupees per maund without legislation—a power that is confined to salt. Another complaint advanced in the press is the alleged loss which has fallen upon the owners of bonded salt in consequence of the imposition of the enhanced duty. I have made particular enquiries into this allegation, and it may be of interest to the Council if I explain the facts. The great bulk of the Liverpool salt in bond is owned by a syndicate of Native salt-dealers. These gentlemen are also the owners of a much larger quantity of salt on the way which will escape at the old duty. The immediate effect of the change has been to increase the value of floating salt by ten rupees a ton, and to depreciate that of bonded salt by three rupees a ton. On the balance the syndicate will be gainers of a very large sum. One European firm stands in the same fortunate position. The Bombay salt in stock yields a

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large profit to the owners, as the duty was paid in Bombay at the lower rate at the time of shipment. The only other interest to be considered is that of the Muhammadan importers of Kurcuch salt from Aden and Jeddah. These merchants are the owners of about three lakhs of maunds of bonded salt, the value of which is temporarily depreciated, and I originally feared they might be losers by the change. Yesterday, however, the three principal merchants called upon me to explain their position and ask my advice. Their spokesman, who is a gentleman of great intelligence and polished manners, answered with perfect frankness the questions I addressed to him; and it appears that, while losers in respect of their bonded stock, they have been the owners of a considerable quantity of salt afloat, by which they will make more than they will lose. Their complaint when analyzed amounted merely to their objection that, while the change in the duty had given a great profit to their neighbours, it had given them little advantage. The deputation left me, as I believe, perfectly satisfied with the explanations I gave to them. It is thus evident, the owners of bonded salt have suffered no hardship.

“I will now take advantage of this opportunity to make some general remarks suggested by the statement of the Hon’ble Finance Minister. The public will regard with particular satisfaction the fact that such a statement has been submitted to us. It will be recognized that, by the adoption of such an unusual course, Your Lordship’s Government has shewn in the most practical form a desire to obtain for your measures the support of public opinion. It will be believed that on this mark of your confidence we may found the hope that Your Lordship’s powerful advocacy will be given to that demand for a modification of the Council’s Act which has recently been expressed with a unanimity almost unexampled in Indian experience.

“The hon’ble member began his speech by repudiating the assumption that our present annual rate of expenditure can only result from extravagant administration. On this abstract question his defence was complete. He shewed that the ordinary expenditure on administration has only increased by two millions or 3 per cent. in ten years—a period which has probably added 15 per cent. to the population. So far from agreeing with those who charge the Government with extravagance, I believe it is far more open to criticism on the ground of penurious reluctance to incur expenditure for the better administration of justice and the increasing requirements of advancing civilization. On the subject of military expenditure the public is not in a position to offer intelligent criticism. Your Lordship’s military advisers must be the judges of the value and necessity

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of military works. We have every reason to entrust them with our fullest confidence. We hold Government responsible for making us safe against any possible enemy—so safe that no one shall venture to attack us. Expenditure may be nothing more than a premium of insurance against panic and the reckless waste it occasions; but, even so, it is money well spent. And, if this responsibility is thrown upon Government, we must not grudge the means necessary for its efficient discharge. Nor do I complain that an unreasonable share of the cost of our defence will be thrown upon the coming year. I think the hon'ble member's views are entitled to generous support as those of a cautious and courageous financier.

“And now, my Lord, I must say something concerning the means adopted by Government for the restoration of financial equilibrium; and such value as this debate may possess will be derived from the expression of public opinion on this subject. As these measures have already been taken, and as we are now discussing what has been already done, and not what is yet to do, the debate is necessarily rather of an academic than a practical character. I trust, however, that the Council will not complain if I avail myself of this rare opportunity to offer some observations on the general subject of the comparative merits of direct and indirect taxation. The intelligent Englishman is apt to regard this comparison from the standpoint of his own experience. He knows that in his own country an income-tax yields without trouble a very large revenue. He knows that the proportionate cost of collection is small. He is a free-trader, and he knows that, if import-duties are to provide an important share of the British revenue, they must be exacted on a scale which will greatly curtail the volume of imports. He knows that, as trade is but another name for barter, a restriction of imports would involve a diminished demand for English industrial products, now taken by other countries as payment for the goods which England imports. As an enlightened disciple of free-trade principles, he knows how the interests of England are best served. But when such a man turns his attention to Indian finance he will have much to learn. He will find that a six-penny income-tax produces but a small amount of revenue: that of that amount 8 per cent. is wasted in the cost of collection. He will be told that an income-tax is obnoxious to every body; that it harasses not only those who pay, but also those who should not be asked to pay but who are worried with demands which it costs them much trouble and expense to set aside. For myself I may say that, while I have always considered an income-tax correct in theory, the experience of the last two years has greatly increased my objections to it on practical

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grounds. When the enquirer turns to examine the incidence of indirect taxation in India he must be prepared for a new revelation. He will find that a salt-duty produces a large revenue without complaint from any quarter; that my hon'ble friend by a stroke of the pen can find a million and three-quarters of revenue which will not cost an additional rupee to collect; that the consumer, who will now be taxed a half-penny per month for his salt, will continue to use as much as he wants, and that, if the tax were a farthing per month, he would use no more; that there will be as little cause for complaint now the duty is increased as there was for gratitude when it was recklessly reduced. I have every confidence that the duties on salt and petroleum will not in the slightest degree limit the consumption; that our English and American friends will send us as much salt and petroleum as before, and will take from us as much of our produce in exchange. But, having said so much in favour of indirect taxation, I may be asked why I do not push my argument to its legitimate conclusion and advocate the re-imposition of the import-duties on piece-goods and the immediate abolition of the income-tax. My reply to this must be that I see no use in discussing a matter outside the range of practical politics. I think the duties were rashly taken off, but under present circumstances I know we will not be allowed to re-impose them.

“And now, my Lord, I will venture to say that it will be a mistake if this debate is allowed to take too gloomy a tone. We have much reason to look forward with hope to the future. Agriculture, the great stand-bye of the Empire, is flourishing as it never flourished before. The manufacturing interests are prospering and developing to the great benefit of the country. Trade is growing in magnitude. Communications are being rapidly improved. Our debt, although large, is amply covered by the value of State property. Burma will soon be peaceful and prosperous. Our frontier defences will before long be in a satisfactory condition. In your recent speech, my Lord, you attracted the sympathy of the country by the expression of your regret that it should have been your unpleasant duty to add to the burdens of the people. But the day may not be far distant when some Viceroy (I hope in the interests of the Empire it may be yourself) will have the pleasant task of remitting taxation on justifiable grounds. When that day comes, I trust you will be able to consult your Legislative Council, and we are ready with our programme. I trust the court-fees will be reduced and the rice-tax remitted. The obnoxious income-tax should be the next to go, and when any further power of remission remains we will not complain if our Finance Minister tampers with the salt-duty.”

The Hon'ble MR. EVANS said :—" I am not an expert in financial matters, but having watched with interest the course of Indian finances from 1878, when I first had the honour of being a member of Your Excellency's Council, I am strongly impressed with the conviction that indirect taxation must be our mainstay in this country, and that further attempts at direct taxation will cause waste and friction disproportionate to the results. It has been suggested in this particular instance that the import-duty upon piece-goods should be re-imposed. Apart from the fact, as has been pointed out, that this is not a practical proposal, it appears to me that their re-imposition in the shape in which they existed before has become an impossibility. The growing competition between India and Lancashire will prevent their being re-imposed without their being of a protective character. I have not seen any practical proposals for raising the necessary money to meet the exigencies of the State but those which have been adopted by the Government of India, namely, the increase in the salt-duties and the tax on petroleum. The statement which was made by the Hon'ble the Financial Member on the last occasion is a very able statement. It shows very clearly the strain which has been imposed upon the resources of India by the continued fall in exchange, the diminished revenue from opium, combined with the necessity for expenditure on our north-western frontier defences and the expenditure in Upper Burma. It also shows very clearly—what I believe to be the case—that the public moneys in India are disbursed with strict economy and supervision in the administration of this vast empire. It is also clear, I think, that the Government has done what it can, and with considerable success by the Finance Commission, to prune and reduce establishment expenses to the extent which was within the scope of that Commission. But the outlook, with the possibility of a further fall in exchange and a great probability of a further diminution of the opium-revenue from the increasing growth of the poppy in China and other causes, together with the necessity of continuing our increased expenditure in Burma for some time to come, is not a cheerful one. I am, I believe, expressing the views of many when I say that the time has arrived for the Home authorities seriously to take in hand reforms which the Governor General in Council is powerless to effect or to deal with. The Home charges are what cause India to feel the exchange, and the Home charges are what India cannot deal with. They are very heavy and are capable of great reduction. The enormous expenses thrown upon India by the short-service system, and the constant movement of troops between England and India, involves enormous increased expenditure; and many competent authorities are of opinion that the increased expenditure brings no increase of efficiency, but rather the reverse. The expensive transport system and many points raised by the late Army

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Commission are matters which the Home Government is bound to grapple with. The India Office itself needs a thorough overhauling, and considerable reductions might be made; for the times have changed, and it will almost certainly appear that the system is more cumbrous and expensive than is needed. The purchasing and spending departments at Home should be narrowly looked into. *Quis custodiet ipsos custodes?* There is also the further important question as to whether the old system of presidencies with separate Governors and Commanders-in-Chief, and separate armies, should be maintained; and this too presses for solution. I think, when all has been done that can be done on this side, we are entitled to look for some relief from the other side of the water. Having helped ourselves all we can, we are entitled to call on the higher powers for aid. Meanwhile, the government of this country must be carried on, but unless the Home authorities bestir themselves shortly they must expect to encounter grave and general dissatisfaction."

The Hon'ble SYUD AMEER HOSSEIN said:—"My Lord, since the introduction of the Bill last week, I have made enquiries in direct communication with the dealers of kerosine oil, to ascertain what would be the incidence of the proposed duty. The present market or contract value of each box containing two tins of the oil as entered in the invoice is Rs. 3-9. The duty at five per cent. would amount to about three annas per box. The oil is retailed in the bázár to the poor people in bottles. Each box contains 10 gallons of the oil, capable of filling up 48 quart bottles. So the 48 bottles will pay a duty of three annas or 36 pies, and therefore each bottle will pay a duty of three-fourths of a pie. The present retail price of a bottle of oil is one and half annas or 18 pies. The addition of three-fourths of a pie to the 18 pies will not be an appreciable burden to the poor people. The above calculations satisfactorily prove the unobjectionable character of the proposed duty. I have read with great interest the very able Financial Statement laid before the Council by the Hon'ble Finance Minister. I think that the hon'ble member has made out a good case for the increased taxation, which happily has taken the indirect form. I feel bound to say, my Lord, that nothing is so unsuited to this country as direct taxation. The law may not be so harmful or inequitable in theory, but its administration, in spite of the closest supervision of the controlling authorities, is nearly always unsatisfactory, and sometimes attended with a good deal of oppression.

"At the risk of treading on forbidden ground, I respectfully trust, my Lord, that, should necessity arise for a further increase of revenue, recourse may be had to that form of indirect taxation which was abolished by this Council a few years ago, and which, so far as India is concerned, is the least objectionable impost."

[*Rana Sir Shankar Baksh Singh Bahádur ; Rájá Peári* [3RD FEBRUARY,
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The Hon'ble RANA SIR SHANKAR BAKHSH SINGH BAHÁDUR said :—“ I have fully considered the Petroleum Bill and the Statement of its Objects and Reasons. Since petroleum (including various kinds of inflammable liquids enumerated in the Bill) is an article of trade, it does not seem to me improper to levy a customs-duty on the same on its being imported into British India from any other country or island. My reasons for the above conclusion are as follows :—

“(1) the Government has, both on land and water, afforded every convenience and safety to the public by means of railways and steamers, which facilitate commercial communications with distant countries, and thereby cause the prosperity and development of commerce ;

“(2) the Government, as far as possible, protects the property of every individual.

“ Having these reasons in view, I entirely agree with the hon'ble member, Mr. Westland, in his proposal to impose a duty on petroleum ; but, since at the same time it appears from the Statement of Objects and Reasons that the trade of petroleum has been on the increase for the last two years only, I beg to suggest that in the beginning, if deemed advisable, the rate of duty should be a little lower than that which has been proposed. In future, the rate may be raised if the said trade prove more flourishing, or if the present increase therein remain in after years steady.”

The Hon'ble RAJA PEÁRI MOHAN MUKERJI said—“ The increased duty imposed upon salt a few days ago will so nearly meet the anticipated deficit, and the revenue expected from the proposed levy of a customs-duty on petroleum is altogether so small, that I was tempted for a moment to suppose that one of the objects for which this small measure has been proposed was to overcome the legal difficulty in the way of gratifying a widely and influentially expressed public desire. Such a supposition would, perhaps, have been wholly groundless, but I nevertheless feel beholden to Your Excellency's Government for having allowed me and my non-official colleagues in their Hon'ble Council an opportunity for discussing the main features of the financial budget for the ensuing year. The Hon'ble the Finance Member is to be congratulated on the lucid exposition of the financial position of the country which he has given to the Council. The inevitable expenditure for the defences of the north-western frontier and for

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bringing Upper Burma under civilised administration would have been met from the ordinary and recurrent revenues of the country if the increased loss by exchange and the falling off in the opium-revenue and the gross earnings of railways had not caused a strain beyond the capacity of our revenues to bear. It is again a sort of expenditure which, on account of its being immediately unproductive, must be charged on the revenues of the year. To think of meeting it by raising a loan would be extremely unwise, as it would permanently add to the burdens of the country and make the financial position of future years much worse. Before we realise therefore a substantial saving of expenditure by such measures of economy as might be carried without diminishing the efficiency of the various departments of the administration, there is a clear necessity for a large addition to the recurrent revenues of the ensuing year. The increased salt-revenues will supply this addition and leave but a small deficit, and, as petroleum is not a very important article of commerce and a duty upon it is likely to touch the poorer classes, I suggested at the last meeting the propriety of looking to other articles for raising a revenue upon by means of an import-duty. Whether a duty on metals and hardware would not press more harshly than one on mineral oils, at least on certain races and classes of the people, is, however, a question which in the absence of carefully prepared statistics I do not wish to face. The very universality of its use points to petroleum as an excisable commodity, and all objections to a duty upon it in this country, based upon humanitarian grounds, vanish when it is considered that the average incidence of the tax upon every family in the empire will be less than half an anna a year."

The Hon'ble MR. WESTLAND said:—"It has been particularly gratifying to myself, and I doubt not also to the other members of Your Excellency's Government, to find that the proposals we have made for the restitution of our financial position have been so generally accepted by those who are most qualified to pronounce an opinion regarding them. I am afraid that a sense of relief from taxation in a more unacceptable form may have conduced in some degree to the general acceptance of the enhancement of the salt-duty. For myself, therefore, I would not carry this public approval of our policy so far as to remove the reluctance with which we had recourse to the salt-duties, and I shall be very glad when the time comes in which we can relegate the eight annas, which we have now re-imposed, back to the position in which Sir Evelyn Baring placed it, namely, that of a reserve to be appealed to in times of trouble. But our first duty undoubtedly was to put ourselves right with the world, by making our revenue adequate to our expenditure, and I think it is a matter on which we may well congratulate ourselves that our full and frank statement of our financial position

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has enabled the public to realize the difficulties which we had to meet, and to give its approval to the means we are adopting to escape from them.

“It is only fair that I should say we have no intention of now folding our arms and, having secured what we hope may be a balance on the right side, of relaxing our efforts in the direction of economy. So long as our financial position is dependent upon the maintenance of a salt-duty of Rs. 2-8, we must regard ourselves, in the management of our expenditure, as still under the same obligations which a deficit would impose upon us. We must also do our best in the development of our existing revenues. I look hopefully to a considerable increase in the excise-revenues, and believe that a great deal might be done in Northern India by the introduction of the methods which in Bombay and in Madras have so powerfully contributed to the increase of revenue under this head. I believe also that we have far from exhausted the possibilities of the provincial system, and I am of opinion that we may find in further development of it a means of increasing our financial strength. By these, and by other means, we must strive to bring more near to us the date when it may be possible to examine our revenues for the purpose of remission. My hon'ble friend Mr. Steel has recommended to our notice in this respect the rice-duties, which have certainly been repeatedly condemned on economic grounds, and which only financial necessity has preserved in existence. But I am afraid that remissions of revenue have at present only an academic interest, and it is only waste of time to discuss now what will most likely have to wait for our successors to decide.

“And for the same reasons I must also claim exemption from the duty of saying anything about the import-duties generally. The policy of their remission has been referred to more than once, both in former debates and during the present one. But the policy, I submit, must be regarded as a closed book. The practical questions which submit themselves for our decision are sufficiently numerous, and sufficiently important to occupy our whole attention; and the practical question with regard to the import-duties is not whether they should have been remitted or not, but whether, having been remitted, it is practicable now to re-impose them. To this question I do not think there can be two answers. Manchester and Bombay are now such rivals that it would be quite unjustifiable to tax Manchester with an import-duty unless we also taxed Bombay with an excise-duty; and the difficulties in the way of an excise-duty, especially with reference to mills which lie in Native territory or which might be transferred to Native territory, are such as to place the proposal outside the range of practical politics.

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“ The Hon'ble Rájá Peári Mohan Mukerji has in connexion with this subject referred to the propriety of re-imposing the duties on metals and hardware. The tax upon metals yielded only 10 lakhs, and the tax upon hardware amounted to under 3 lakhs. Apart from the general inadvisability of re-imposing import-duties, there are practical considerations against the re-imposition of particular duties the proceeds of which would be small; for it can never be worth while to introduce the general machinery of a customs-duty for the purpose of obtaining the small sum of 13 lakhs. The justification for the imposition of a duty on petroleum lies in the fact that it can be done under the existing conditions of the trade with practically no additional expense or restrictions upon the trade. That would not be the case in regard to the imposition of duties on metals and hardware; and, moreover, I do not endorse the contention of my hon'ble friend that a tax on metals and hardware will only fall on the rich and not in any respect on the poorer classes.

“ My hon'ble friend Mr. Steel has also referred to the claims made on behalf of litigants that we should reduce the fees payable by them, and the same subject was taken up in the letter, to which he has made allusion, of the Chamber which he so ably represents. For one reason I am glad that the reference has been made, because it gives me an opportunity of removing what seems to be a very general misapprehension. I shall not discuss the question whether the administration of civil justice may or may not be made a source of revenue just as reasonably as any other Governmental business: that is a question on which, especially in India, there may very well be two opinions. But I would simply ask the question—On what ground is it supposed that, as matters stand, the Government makes any profit at all? No figures that I have ever seen establish such a conclusion. It is easy to show that the revenue from court-fees more than covers the cost of the salaries of officers and the establishments employed in connexion with Civil Courts; but, before a fair account can be made up, numerous other items have to be regarded. You have to reckon, for example, the cost of pensions and of leave-allowances, and the cost of providing and maintaining buildings. It is not a very easy thing to do, but we have made elaborate investigations upon this basis; and the result, so far as we have made it out, does not support the view which has been too readily assumed by my hon'ble friend and by others. To mention only the case of the larger provinces: there is a considerable loss in Bombay; in the North-Western Provinces we also overspend the income by about 10 per cent.; in Madras we make a saving of about 5 or 6 per cent.; and in Bengal the saving is probably somewhat larger than that. The smaller provinces show a loss in every case. I cannot state in actual figures the result for the whole of India, but so much at least appears

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evident, so far as our investigation has gone, that very little, if any, profit is made out of the whole business, and that litigants do not, on the whole, pay more than is required for the maintenance of the Courts of law. I think it is very important that these facts should be known. The high judicial authorities who are charged with the over-sight of the administration of justice are necessarily, in the plain exercise of their duty, continually pressing for improvements and additional expenditure in all directions; and they have a strong case if it were really true that Government made the administration of civil justice a source of revenue. But, as this is not the case, India cannot afford to pay for perfection in that department any more than in any other, and the Government is not justified in setting aside financial considerations in dealing with these subjects. It is, to say the least of it, doubtful how far the reduction of the court-fees duties, even if carried out, would give the anticipated relief to litigants. Although I cannot speak from personal experience, I believe the payment of court-fees forms but a small proportion of the total of the law charges incurred by a litigant, and the reduction of their amount would make no great difference in the total of the charges which the litigant has to meet. But in any case the facts I have stated will show that, so far as the Executive Government goes, there is very little chance of our being able to afford any reduction of the revenue from court-fees as long as the expenditure bears its present proportion to the receipts; and that, if the public consider their burden too heavy, the only condition on which relief can be afforded is that by some reforms in procedure or system, or by some other means, a better tale of work be obtained from the existing Courts.

“My hon'ble friend Mr. Steel has referred also to certain complaints which have been put forward as to the hardships entailed upon the owners of salt in bond. The fact is, according to information which I also have received, that the owners of salt in bond happen also to be owners of larger quantities of salt in course of transit by sea; and, as he has explained, these owners, having large quantities of salt at sea in respect of which the provisions of section 37 of the Sea-customs Act applies, are able to realise large and totally unexpected profits; and while they are engaged in selling, at this unusual profit, the salt they have at sea, they of course put off, in the meantime, the sale of the salt they have in bond. The hon'ble member will, perhaps, be extremely surprised to hear that these merchants have made this the subject of a memorial to the Government, in which they refer to the action of the Government in suddenly increasing the salt-duties as imposing upon them a “ruinous loss.” “Ruinous loss” is certainly a curious term to apply to an operation that has brought them an unexpected profit of some lakhs of rupees. I have no doubt that they would like to have

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its operation extended also to the duty upon salt in bond, by which, of course, their profits would be enhanced to double the amount they will now receive. But, when an importer deliberately chooses to bond his goods instead of bringing them to sale when first landed, he must accept the risk of an alteration of the duty at the time at which he chooses to bring the goods for consumption. It is very pleasant to learn that the notification of the enhancement of duty has not as a matter of fact involved any loss to the salt-merchants of Calcutta, but I confess it would have been preferable if the operation of the Sea-customs Act had not entailed a loss to the Treasury and a gain to them of the duty upon salt in course of transit by sea.

“ On one other point, I wish, with Your Excellency’s permission, to offer some observations. The proposal has been made that our present difficulties may be evaded by the plan of separating Burma from the rest of India, constituting it a separate province and borrowing against its future revenues. For such a plan, of course, separation from India must be absolute and complete; the mere separation of the Burma budget into a separate account, while still remaining part of the revenue and expenditure for which the Indian Government are responsible, would mean nothing at all. You do not get rid of expenditure, and of the liability that it imposes upon you, by the simple process of writing it under a separate account. But this separation of Burma into a new and separate financial entity is one of those proposals which crumble to pieces the moment you attempt to give them definite practical shape. The whole basis of it, of course, is that the local revenue is not at present, and is not likely for some time to come to be, equal to meeting the expenditure. We cast Burma adrift on the express ground that it is for practical purposes insolvent, and financially not worth keeping. But who will lend money upon the security of revenues such as these? Burma has no credit; it cannot have, if it is disparaged at the very start by such a policy. Whatever money is raised therefore must be raised on the credit of India; and we come back to the very methods to which I put forth the objections by anticipation last week. There is no difference whatever between the plan of opening a new Burma account and borrowing on the credit of India to meet the deficit it is to show, and the plan of charging the expenditure as Indian expenditure and borrowing instead of raising revenue to meet it. The latter is the honest and straightforward way of stating the facts; the former is an elaborate device for concealing the truth from yourself.

“ A financial separation is therefore a practical impossibility, but, even if it were not so, it would be a policy to which we have no right to resort. The

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annexation of Burma differs in no respect from the various annexations which we have made from time to time, and which have built up the India we now know. One after the other they have been incorporated in the empire, brought under one common administration, one common system, bound together by ties—administrative, political, military and commercial—which render any idea of separation an impossibility. Some provinces are rich and advanced, some are poor and backward; but all have benefited enormously by the linking together in a common system. We have no more right to cast Burma out of the common brotherhood and to tell it to bear its own burdens than we have to select the poorer portions of Bengal or Assam and to tell them that the wealth of their neighbours cannot be applied to giving them a share in the common civilization. For thirty or forty years Burma has been a member of the empire, has borne its share in its burdens, has paid like the other provinces its contribution towards the common imperial expenditure. After having obtained from it for so many years all the advantages which arise from the broader basis on which the empire has been built, and the measure of financial relief which is due to its participation in the common burdens, I cannot conceive by what right we can now impose upon it the burden of the new conquest and tell it that it must from its own resources and without help from us bridge over the interval that has to elapse between our first occupation of a new and undeveloped province and the time when it ceases to be a burden and becomes a support to our financial position. For Upper Burma, its annexation and its administration, we, the Indian empire, are responsible; and it would be as unjust politically, as I believe it would be in the end financially foolish, were we to attempt to pass on to others' shoulders the burden of the responsibility we have deliberately assumed. The time has not yet come when we need stand aghast at our own greatness and beg one of our own minor provinces to take off our hands the responsibilities which that greatness imposes upon us."

The Hon'ble LIEUTENANT-GENERAL CHESNEY said:—"I did not intend to trouble the Council with any remarks to-day, but something has been said by my hon'ble friend Mr. Steel in the course of his very interesting and lucid statement which tempts me to offer a few observations on the subject. I think we must all be indebted to the hon'ble member for having in a few words of admirable common sense explained away a great deal of the nonsense which has been talked during the last few days about the irregular action of the Government in regard to the mode by which the salt-duty has been enhanced; and it is very gratifying to find the general policy of the Government supported by so high an authority. But one remark was made by him to which I venture

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to take exception. My hon'ble friend spoke in terms of blame of the action of the Government in 1882 when they reduced the salt-duties: he spoke of the 'reckless' reduction of the salt-duties in 1882. I venture to demur to that expression as being a correct interpretation of the facts of the case. The Government in 1882 had a considerable surplus in hand; and here I might venture to remind the Council that India, whose financial condition my hon'ble friend Mr. Evans considers to be gloomy, shares with England the happy position which, with the single exception of the United States of America, it alone possesses among all civilised countries, of ever having a surplus in any years. If you examine the financial condition of all the countries in Europe, there is one point in which they all agree, namely, that there is uniformly a deficit, and uniformly a fresh loan, every year. The revenues of France, Russia, Italy, and I believe Germany also, year by year fail to make good the necessary expenditure, and the deficit has to be filled up by the inevitable loan. India has had occasionally to borrow money, but it has fortunately had during the last thirty years several years of surplus. India and England are the only two countries in that happy condition. Now, as regards the mode of dealing with a surplus, I think we may take a lesson from the practice which is followed in England. In England, when there is a surplus the practice used to be to take off some of the import-duties in order to cheapen articles which are in common use. After a time, when the process of reduction of the import-duties had been carried to a very great extent, then English financiers began to operate upon the income-tax. The practice having been dropped of the further remission of import-duties, there were practically only two ways of dealing with a surplus—to reduce the income-tax or to pay off a portion of the national debt; and the former alternative has been the one usually adopted. Now, in this country the salt-duties practically take the place of the income-tax in England. The income-tax in England is paid by a large proportion of the community, whereas in India the income-tax falls upon a very small percentage of the people, and it is only by dealing with a tax which affects the mass of the community that any considerable operation is possible, while, as has been repeatedly pointed out, the salt-duty is a duty which can be increased or reduced at will without any additional expenditure for collection. Now, there were two courses open to the Government of 1882—to lower the salt-duties or to pay off debt. Suppose the Government had not pursued the 'reckless' course of reducing the salt-duties which had been commented upon by my hon'ble friend Mr. Steel; what would have been the certain consequence of maintaining that tax at the higher rate? Anybody acquainted with the history of Indian administration will know that there could have been but one certain result—the expenditure would have increased

to the full extent of the surplus in a very short time. The Government of India with a surplus to dispose of would be immediately subjected to the pressure of the Local Administrations for larger grants of money, and we may be sure it would be inundated with proposals from all directions—from admirable motives no doubt—for the means of improved administration in all branches, and the surplus would soon be consumed. If, therefore, the salt-duties had not been reduced in 1882, the Government of India would have been left at this period without that valuable resource to enable it to retrieve its financial position. I venture to think that it is always incumbent upon the Government to pare down its revenue as well as its expenditure, and that a good surplus of one year should not be made available for increased expenditure, but should rather be applied to the reduction of taxation.

“I wish also to make one observation in reply to what has fallen from the Hon'ble Mr. Evans as to the gloomy prospects of Indian finance. In this my hon'ble friend echoes a good deal of what has been said during the last few days about the state of the Indian finances in many different quarters. I saw the other day in a highly respectable newspaper published at Allahabad, which generally writes in a very lucid strain, a reference to what it called the present financial crisis. Now I am old enough to recollect a good many financial crises. First of all came the great crisis of the mutiny, when forty millions had been spent, the collection of the revenue had been stopped over a large part of the country, and the treasury was empty—an occasion when it might indeed appear as if we were on the eve of national bankruptcy. Yet three years afterwards we had already arrived at a time of prosperity and a handsome surplus. Then, in 1876, there was a crisis during the famine, when we had to spend no less than sixteen millions merely to keep people alive. Then came the great drain upon the Government during the time of the Afghan War, when twenty millions were spent. Then again you heard the old story about financial bankruptcy. Three years afterwards, and during the time of Sir Evelyn Baring, he was able to bring out a prosperous budget with a large surplus. In face of these financial crises I think the language used in regard to the present state of things is a little hysterical. It is quite true that under conceivable circumstances, if all things combined to go wrong together—if exchange continued to go down—if the revenue from opium continued to fall, if trade became more depressed, then certainly we might be in a bad way. But, as my hon'ble friend Mr. Steel has reminded us, this is not a time of mercantile or social depression. The very loss by exchange, which is one of the causes of difficulty for the Government, in the opinion of a good many competent judges is a source of

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great prosperity to the country. I think, therefore, that, if we look back at the history of these real financial crises through which the Government has safely emerged, we need not be alarmed at the present state of affairs, which, compared with what has happened in the past, is merely a financial ripple on the water."

His Excellency THE PRESIDENT said:—"Our hon'ble colleague the Finance Member may certainly be congratulated on the candid and generous manner in which his financial statement has been received by all the members of this Council; and it is gratifying to the Government to feel that not only do we possess the unanimous approval and support of the Council, but that we may fairly conclude that the views which have been expressed by Mr. Steel in his very weighty speech, by Mr. Evans and by all the Native members are the reflex of that intelligent public opinion which they are so well entitled to represent. The question has been so ably dealt with by every member who has spoken, and the consensus of opinion is so general, that it is unnecessary for me to trouble the Council further. Of course the real difficulty attending our financial policy is the instability of silver. With an uncertainty of that kind introduced into all his calculations, no Finance Minister can ever enjoy any real repose. He must be always conscious that in the unknown future there may exist contingencies which will upset all his calculations and destroy the anticipated equilibrium in his budget; but from the very nature of the case all that the Government can do is to exercise its best intelligence in calculating the probabilities of the actual situation and leave the ultimate issue in the hands of Providence. As I have already had occasion to say, had it not been for the fall in silver which has made me three millions a year a poorer Viceroy than I was when I first came to the country, notwithstanding even the fall in opium and the expenditure in Burma, I think we might have tided over our present difficulties without any resort to increased taxation. From what I have recently heard from our Minister in China it does not seem likely that any very considerable change in the mercantile relations between China and India as regards opium is likely to ensue. Again, though we have no right to allow such an anticipation to influence our practical policy, we may fairly hope that our railway receipts will also recover. With regard to Burma, there is no doubt that, although during the last year the expenditure has been very heavy,—heavier even than was anticipated,—it will be a diminishing charge, and even in the budget we are now preparing a change for the better will be shown. Moreover, it must be remembered that Lower Burma may be expected, if not altogether, at all events to a considerable extent, to be able to carry Upper Burma on its back,

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It is true the surplus revenue of Lower Burma which annually accrues over and above the expenses of its own administration, and now amounts to nearly a million, only represents the fair share which that province might be called upon to pay towards the general imperial expenses of administration; but, on the other hand, it is clear that, if Lower Burma did not exist, the large sums which for some years past we have received from thence would have had to be supplied by India herself from extra taxation from which she has now been relieved. Consequently, were the accounts of the two provinces to be united, the deficit in regard to Upper Burma, even for the present, will be found to be inconsiderable. It will be interesting to the Council to know that not only are we daily receiving satisfactory proofs of the rapidity with which Upper Burma is settling down and order is being established, but that we have made most satisfactory progress in dealing with all those subordinate questions which affect the Shan States and our relations both with Siam and China. It has been stated that this Government has determined upon the subjugation of the Shan States and that we are about to send a *corps d'armée* in order to carry this purpose into effect. Such an observation only shows how very great is the misconception which prevails in regard to the political and geographical condition of what are known as the Shan States. As you are aware, Burma may be described as a broad valley traversed by the Irrawaddy and the Chindwin, with the Arakan mountains on the western side and a corresponding high plateau on the eastern side. It is upon this plateau, which extends as far as the Salween, that the Burmese Shan States are situated. These States have always been subject to Upper Burma, and, when we took possession of that country, we sent messages to their various Chiefs that from henceforth they were to regard Her Majesty the Queen as their Sovereign. This information was received upon their part in a satisfactory manner, and they suggested that we should send up some officers to settle the exact nature of their future relations with us. We have taken advantage of the cold weather to despatch two political officers into the Shan States accompanied each by a small column. These gentlemen have traversed the whole district from one end to the other in perfect security, and have been everywhere received in a cordial manner, both by the population and by the various Chiefs. Not only so, but our agents have met on the extreme eastern frontier of Shan Burma the authorities of Siam, and have come to a preliminary understanding with them as to the frontier which is hereafter to divide the Shan States under British rule from those under Siamese jurisdiction. But what perhaps is even a more gratifying feature in the situation is the fact that the Government of His Majesty the Emperor of China is exhibiting towards us a most friendly spirit, and is doing everything we could desire to render

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the settlement of that part of Burma which borders on China easy and successful. The Viceroy of Yunnan has received instructions to order the officials on the Chinese frontier to cultivate friendly relations with us, and the effect of this action upon the part of China is now becoming very marked. I may mention, as an additional proof of the desire of China to exhibit a conciliatory spirit towards the Government of India, that she is using her best efforts to induce the garrison of Tibetans who have passed beyond their own frontier and have built a fort on a road which was made by the Indian Government in Sikkim, and over which we have definite and strict legal rights, to retire within their own territories. Consequently, although, as must always be the case in a new province recently added to the empire, a very considerable outlay will be necessary in Burma with the view to furnishing it with roads, jails, barracks and public buildings, and for the purpose of opening up what are undoubtedly its large material resources, I do not think that any one need apprehend that our expenditure in Burma will eventually prove a source of financial embarrassment to the Indian Government. Thanking the members of the Council for the patience with which they have listened to my few observations, for the generous spirit in which they have received the financial statement which has been placed before them, as well as for the valuable suggestions which have fallen from various members, I proceed to put the motion, namely, that the Bill to provide for the levy of a customs-duty on petroleum be referred to a Select Committee consisting of the Hon'ble Messrs. Scoble, Whiteside, Steel, Halliday and Westland."

The Motion was put and agreed to.

The Council adjourned to Friday, the 10th February, 1888.

S. HARVEY JAMES,
Secretary to the Govt. of India,
Legislative Department.

FORT WILLIAM; }
The 8th February, 1888. }