

Wednesday,  
8th March, 1882

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. XXI

Jan.-Dec., 1882

Not to be taken away.

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

ASSEMBLED FOR THE PURPOSE OF MAKING

LAWS AND REGULATIONS.

1882.

VOL. XXI.

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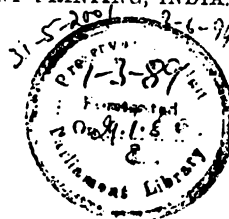


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1883.



*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 Wednesday, the 8th March, 1882.

PRESENT :

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

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

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

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

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

The Hon'ble J. Gibbs, C.S.I., C.I.E.

Major the Hon'ble E. Baring, R.A., C.S.I., C.I.E.

Major-General the Hon'ble T. F. Wilson, C.B., C.I.E.

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

The Hon'ble L. Forbes.

The Hon'ble C. H. T. Crosthwaite.

The Hon'ble A. B. Inglis.

The Hon'ble Rájá Siva Prasád, C.S.I.

The Hon'ble W. C. Plowden.

The Hon'ble W. W. Hunter, C.I.E., LL.D.

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

The Hon'ble Durgá Charan Láhá.

The Hon'ble H. J. Reynolds.

FINANCIAL STATEMENT.

Major the Hon'ble EVELYN BARING said :—

“ MY LORD,—I wish to preface the Statement I am about to make by explaining that the figures are throughout given in pounds, rupees being converted into pounds at the conventional rate of £1 = Rs. 10. There are some obvious inconveniences in the adoption of this system, but the alternative procedure of giving the figures in rupees would render a comparison with the Accounts of former years difficult, unless the whole of those Accounts were recast. For the present the continuance of the existing system, which has been in force since the year 1859, is, on the whole, desirable. In those cases where the pounds are true sterling the fact is expressly mentioned. Wherever the true sterling, as well as the conventional sterling figure, is given, the conversion has been made at the rate of 1s. 8d. the rupee. Preliminary.”

" The explanations are throughout given on the figures as arranged in Appendix II, in which the Revenue derived from Productive Public Works is shown separately from other heads of Revenue, and the "Working Expenses and Interest" on Productive Public Works are shown separately from other Expenditure.

Change in the form  
of Accounts.

" 2. I have one further preliminary observation to make in explanation of a change in the form in which the Accounts and Estimates are presented. Exception has been taken to the system, heretofore adopted, under which the amounts by which any of the Provincial Governments exceeded their Revenue and, consequently, drew on their balances, were credited as Revenue of the Imperial Government under the head of *Provincial and Local Deficits*. For the future, the head of *Provincial and Local Deficits*, as well as that of *Provincial and Local Surpluses*, will appear on the debit side of the account immediately below the total of "Ordinary Expenditure." The excess expenditure taken against accumulated balances, and the short expenditure resulting in a further accumulation, will be respectively deducted from, and added to, the "Ordinary Expenditure" against Imperial Revenues. This system has been carried out in the Accounts of the year 1880-81, and in the Estimates for 1881-82 and 1882-83. The effect will be that both the Revenue and Expenditure will be reduced by the sum now included in Revenue as *Provincial and Local Deficits*, but the surplus or deficit of the year will be exactly the same as under the former method.

#### " II.—Accounts of 1880-81.

" 3. The Regular Estimate for 1880-81 was as follows<sup>1</sup> :—

|             |     |         |     | £          |
|-------------|-----|---------|-----|------------|
| Revenue     | ... | ...     | ... | 70,672,000 |
| Expenditure | ... | ...     | ... | 76,891,000 |
|             |     | Deficit | ... | 6,219,000  |

" The Accounts show the following result :—

|             |     |         |     | £          |
|-------------|-----|---------|-----|------------|
| Revenue     | ... | ...     | ... | 72,560,000 |
| Expenditure | ... | ...     | ... | 76,604,000 |
|             |     | Deficit | ... | 4,044,000  |

<sup>1</sup> These figures do not correspond with those given in para. 33 of the Financial Statement for 1881-82. The differences are (1) £112,000 deducted from both sides owing to the alteration, explained above (para. 2), which has been made in the method of showing the Provincial adjustments; (2) £16,000 added to Revenue, and £34,000 deducted from Expenditure at the Home Treasury, being alterations made by the Secretary of State owing to the fuller information available between the time when the Regular Estimate is published in India, and the date when it is presented to Parliament.



"4. The Revenue, therefore, exceeded the Regular Estimate by £1,888,000. *Result inclusive of War Expenditure.* The Expenditure was less than the Regular Estimate by £287,000. The net result was better than the Regular Estimate by £2,175,000.

"5. If we exclude from the Revenue side of the Account the Ordinary War Receipts and the English War contribution, which together amount to £3,298,000, and from the Expenditure side of the Account the War Expenditure, which, including Frontier Railways, amounts to £13,662,000, the figures would stand as follows:—

|             |             | £          |
|-------------|-------------|------------|
| Revenue     | ...         | 69,262,000 |
| Expenditure | ...         | 62,942,000 |
|             | Surplus ... | 6,320,000  |

"6. The Comptroller General's Report, which was published in the *Gazette of India* of the 4th instant, gives detailed explanations in respect to the differences between the Accounts on the one hand, and the Budget and Regular Estimates on the other hand. It is only necessary that I should here allude to the more important of those differences. *Reference to Comptroller General's Report for details.*

"7. In making the last Financial Statement\* I explained that, of the £5,000,000 sterling War contribution paid by the English Treasury, it was proposed to bring £2,000,000 to account in 1880-81 and £3,000,000 in 1881-82. It was at the time impossible to frame any accurate estimate of the net War Expenditure for 1881-82. But including a sum of £790,000 for Frontier Railways, £3,000,000 was taken as a very rough estimate of that expenditure on the assumption that the evacuation of Southern Afghanistan would be complete by the end of May. *Re-distribution of English War contribution.*

"8. I explained at the time that the distribution of the £5,000,000 would be re-adjusted before the Accounts of 1880-81 were closed, so as to show, as far as possible, in the Accounts of 1881-82 an amount equal to the Expenditure in that year on the War and on Frontier Railways, and that it was intended to credit any balance that might remain over in the Accounts of 1880-81.

"9. The form which the English contribution took was as follows. The debt of £2,000,000 sterling due from India to England was written off, and it was arranged that an annuity of £500,000 sterling should be paid to the Home Treasury of the Government of India for six years. The cash transactions connected with this operation will not, therefore, be complete until 1885-86. But it was deemed advisable to bring the whole contribution to account at

once in order that the Accounts of future years should present the normal Revenue and Expenditure, and should not be deranged by a large casual receipt unconnected with the transactions of the year. The operation was convenient and unobjectionable. It was, therefore, with the sanction of the Secretary of State, adopted.\*

\* The nature of this operation is described in greater detail in the Comptroller General's Report (see *Gazette of India*, March 4th, 1882, page 121).

"10. In September last it became necessary, with a view to closing the Accounts of the year 1880-81, to re-examine the distribution of the £5,000,000. The best estimate which could then be framed of the War Expenditure for the current year (1881-82), including Frontier Railways, was £2,305,000. The difference between this sum and £3,000,000, *viz.*, £695,000, was, therefore, deducted from the receipts of 1881-82 and credited to the Accounts of 1880-81 under the *Army* sub-head of *English contribution for the Afghan War*.

*Transfer of Expenditure on the Punjab Northern State Railway to Productive Public Works.*

"11. In the Regular Estimate for 1881-82 the Capital Expenditure to be incurred on the Punjab Northern State Railway was entered as Ordinary Expenditure under 32. *Railways*. In the course of the year instructions were received from the Secretary of State to transfer this expenditure to 37. *Productive Public Works*. The result of this operation is that the deficit of the year is diminished by £601,000.

*Winding up of the Nizamat Stipend Fund.*

"12. As a consequence of the arrangement made in November 1880 between the Secretary of State and His Highness the Nawab Nazim, the affairs of the Nizamat Stipend Fund were wound up during the year. The result was that a sum of £294,000, of which no account was taken in framing the Regular Estimate, was credited to the Government under the head of *XXIV. Miscellaneous*. The details of this transaction are more fully explained in the Comptroller General's Report. (See *Gazette of India* of March 4th, 1882, page 103.)

*I and A Land Revenue.*

"13. The collection of the *Land Revenue* was retarded by the census operations to a less extent than was anticipated last March. The receipts under this head were £157,000 better than the Regular Estimate.

*Summary.*

"14. These four figures, *viz.*, the excess receipt of £695,000 on account of *English contribution for the Afghan War*, the transfer of £601,000 from 32. *Railways* to 37. *Productive Public Works*, the extraordinary receipt of £294,000 under *XXIV. Miscellaneous*, and the improvement of £157,000 in the receipts from *Land Revenue*, account for £1,747,000 out of the sum of £2,175,000 by which the net result of the year, as shown in the Accounts, is better than the anticipations formed at the time the Regular Estimate was

framed. For further explanations in respect to differences on either side of the Account I must refer to the report of the Comptroller General.

“ III.—Reforms in the system of Accounts, &c.

“ 15. In my last Financial Statement (paras. 21—31) I mentioned that it was proposed to make various changes in the system of Accounts and other cognate matters. I can now state what has been done. Reforms in the System of Accounts, &c.

“ 16. It was decided last year that in the Finance Accounts the issues from the Civil Treasuries for carrying on Military services should be treated as Expenditure, in accordance with the practice as regards Exchequer issues in England. This has been done in the Accounts for the year 1880-81. and will always be done in subsequent years. Finance Accounts to be based on issues.

“ 17. The importance of obtaining early information in respect to the progress of the Revenue and Expenditure of the country was brought prominently to notice in connection with the failure of the War Estimates. I mentioned in the last Financial Statement (para. 25) that we proposed that every officer in charge of a Treasury should, for the future, furnish to the Accountant General of his province an abstract account at the close of each month, giving his receipts and outgoings for the past month under five main heads of Revenue and Expenditure. This system has been carried out and has proved very successful. It has generally been possible for the Comptroller General to make up the complete abstract account for all India by the tenth day after the close of the month. The figures thus obtained are, of course, not absolutely accurate, inasmuch as many adjustments have subsequently to be made; but they are sufficiently accurate to enable a very fair idea to be formed of the progress of the Revenue and Expenditure. These monthly abstracts are now published in the *Gazette of India*. Publication of monthly abstract accounts.

“ 18. It has been decided that the Military Accountant General should occupy the position, and exercise the authority, of a Deputy Secretary of Finance in the Military Department. His precise position and functions were defined in a Government Resolution of July 22nd, 1881. (See *Gazette of India* of July 22nd, 1881.) Creation of a Deputy Secretary of Finance in the Military Department.

“ 19. I stated last year that in future the Comptroller General would submit to the Government of India annually a report, in which the Accounts of the year would be compared with the Estimates of that year, and explanations given of the causes of increase and decrease. The Comptroller General has accordingly made his report on the Accounts of the year 1880-81, and it has Report of the Comptroller General on the Accounts of the year.

been published for general information. (See *Gazette of India* of March 4th, 1882.)

Establishment of  
an independent  
Appropriation  
Audit.

" 20. The expediency of establishing in India an independent Appropriation Audit to supplement the present Departmental Audit has been under the consideration of the Government. We are in communication with the Secretary of State upon this subject, but I am not as yet in a position to announce what the final decision of Government will be.

Changes in Treas-  
ury administra-  
tion.

" 21. The question of the administration of district Treasuries has been under the consideration of the Government. Numerous fraudulent transactions have taken place within the last few years in almost every Province of India. The measures which have been taken to improve the system of Treasury administration were set forth in a recent Government Resolution (see *Gazette of India* of January 21st, 1882). The question of the inspection of Treasuries is still under consideration. The present system is not altogether satisfactory, and we hope shortly to be able to adopt measures with a view to its improvement.

**" IV.—Improvement in the position of the Subordinate Executive Services.**

Subordinate  
Executive  
Services.

" 22. Before proceeding to compare the Budget and Regular Estimates for the current year it will be convenient that I should give some explanations in respect to certain subjects which have recently occupied the attention of Government. These explanations are, in fact, necessary to the true comprehension of the figures as set forth in the Regular Estimates. The first subject to which I have to allude is the pay and position of the Subordinate Executive Services of Government.

Importance of  
Deputy Collectors.

" 23. Both from the political and administrative point of view the class of Deputy Collectors is one of very great importance. A large proportion of the sub-divisional charges of British India is in their hands. The sub-divisional officer is the man upon whom, in quiet times, the Government has to rely for efficient and equitable administration, and, in time of famine or disturbance, for energy, resource, and fortitude. Whether recruited from among the Tahsildar and Sub-Deputy class, or directly from without, they ought to be the cream of that portion of the Native community who are willing to embrace an official career. To fulfil this requirement they ought to receive sufficient pay throughout their career.

Importance of  
Tahsildars, &c.

" 24. The Tahsildars, Mamlatdars, Sub-Deputies, and other similar officers, however designated, are also a class entrusted with very considerable powers,

revenue, magisterial, civil, or all combined, as the case may be. A large proportion of the disputes which arise between man and man in ordinary life are decided by them, and go no further. In Western and Southern India, a superior Mamlatdar usually has the powers of a 2nd class, and sometimes those of a 1st class Magistrate, and occasionally is responsible for as much as six lakhs of rupees of revenue. As a class, they are highly efficient and laborious.

“ 25. There are at present 631 Deputy Collectors and Extra Assistant Commissioners, and 893 Tahsildars, Mamlatdars, Sub-Deputies, Mukhtyarkars, Myokes, &c., in all India. The former receive salaries varying from Rs. 150 to Rs. 800 a month. The salaries of the latter vary from Rs. 50 to Rs. 250 a month.

*Number and pay of  
Deputy Collectors,  
Tahsildars, &c.*

“ 26. A study of the details of the subject leads to the following conclusions : *Defects of present system.*

(1) that there are great differences in the rates of pay given in different provinces ;

(2) that in some provinces extremely low remuneration is given for duties of a highly responsible character ; and (3) that there is a want of uniformity in the proportions of officers in the several grades, and consequently great irregularity in promotion.

“ 27. It would appear that, though an absolutely uniform scale of pay for all India is not indispensable, there is room for a considerable measure of equalisation. On the other hand, a uniform percentage proportion between grades, whatever they may be in any locality, is required, in order to secure due promotion during the period of service for pension, which is, under the Pension Code, the same everywhere. *Necessity of equalisation.*

“ 28. The Government of India is of opinion that, as a broad rule, no officer holding the power and responsibility of a Deputy Collector should receive less than Rs. 300 a month. It may be that in some parts of India Rs. 250 is really equivalent to Rs. 300 elsewhere. But below Rs. 250 it seems undesirable to go, and this rate, even when retained, should be reserved for probationers, or for a grade which would in ordinary course of promotion be passed through in not more than three years. *Minimum pay of Deputy Collectors.*

“ 29. The minimum pay being thus settled, the next question is that of a suitable maximum. Rs. 800 a month appears to be by no means too high a maximum for general adoption. If in any provinces there be financial or other difficulties in the way of granting so much,<sup>1</sup> then the limit should at any rate not be below Rs. 600. *Maximum pay of Deputy Collectors.*

<sup>1</sup> In Burma it would seem that, while high cost of living necessitates a minimum of Rs. 300, it may be desirable to hold the posts in excess of Rs. 600 a month in abeyance for a time until suitable promotion can be made to them from the grade below.

*Maximum and  
Minimum pay of  
Tahsildars, &c.*

“ 30. Turning to the question of the Tahsildars, Mamlatdars, &c., the Government is of opinion that Rs. 150 a month should be the minimum pay for this class. There may be instances where local peculiarities in the charge render Rs. 100 a month sufficient, but this should be admitted with caution; and salaries of Rs. 70—or, as in Sind, of Rs. 50—should be unhesitatingly raised wherever attached to posts belonging *bonâ fide* to the class under consideration. The maximum, on the other hand, should be Rs. 250 a month, which has already prevailed for many years in Western and Southern India, and which will be unexceptionable in any Province where the minimum for Deputy Collectors is fixed at Rs. 300 a month. Where the minimum for the latter is Rs. 250 only, the maximum for Tahsildars, &c., might, as a general rule, remain at Rs. 200 (as it mostly now is); but a limited number of posts on Rs. 250 should be constituted, to serve as prizes for the numerous officers who, though highly meritorious, cannot be promoted to Deputy Collectorships, owing to imperfect knowledge of English, or other causes. The grades admissible under any circumstances might, therefore, be Rs. 250, 200, 175, 150, and, in some exceptional cases, 100.

*Proportion of  
Grades.*

“ 31. I will not lengthen this Statement by entering into the question of the proportion of grades at which the establishments should be fixed. I will only observe that this important subject has, in communication with the several Local Governments, received very careful attention.

*Cost of proposed  
reforms.*

“ 32. It is obvious that these changes cannot be carried out without some additional expenditure. But such expenditure is inevitable under the progressing civilisation and circumstances of India, and is, in fact, now actually being incurred. The Local Governments have been availing themselves freely of their resources under the Provincial system of finance, and their power to create new offices not exceeding Rs. 250 a month in value. Where these are insufficient, they come up to the Government of India. Large proposals from Assam, Burma, and Sind have been received for separate consideration. The Government of India, however, deems it better to recognise the necessity for general revision, and to meet it by a scheme the most uniform, equitable, and economical that can be devised, than to wait until each Local Government is forced by necessity to adopt or to propose some fragment of reform. The proposed revisions affecting Deputy Collectors and Tahsildars will cost about £50,000 a year. This is in comparison with the cost at the present time. It does not cover any increases to the numerical strength of the existing establishments, which are as yet only proposed and under discussion. Against this increased charge, however, there is a large saving arising from the reduction in

the numbers of the Covenanted Service, including Military, &c., in the Commissions, which it appears only fair to take as a set-off. The reduction since 1st July 1874 has been to the extent of 133 officers. The saving owing to this reduction amounts to a total of £79,800 a year, while the additional expenditure on account of Deputy Collectors during the same period does not exceed £25,000 a year, so that, after giving all the increase which is now proposed, the superior administration will still be less costly than it was. As will be presently explained, in revising the Provincial contracts money has been placed at the disposal of the Local Governments which will enable the changes I have described to be carried out. In some Provinces it is hoped that the new scheme will come into operation on April 1st, and in all it will very shortly be adopted.

“ 33. It may be desirable to explain that, while laying down distinct scales of pay and proportion for the Deputy Collector and Tahsildar classes, the Government of India has no intention of drawing any impassable line between the two. The Local Governments will remain, as at present, entirely unfettered in their decision as to whether they will fill vacancies in either class by promotion from among the members of the public service immediately below it, or by nomination, after sufficient probation in a somewhat lower office, of young men of good education or family who have been previously unemployed. It is well known that some of the most distinguished Native officers in high positions have risen from the very lowest grades in the District Staff, and the Government of India desires it to be distinctly understood that this avenue, by which men of ability and judgment may raise themselves from humble beginnings to any post in the Uncovenanted Service, should remain open as at present.

“ 34. Before leaving this subject I wish to observe that, while the number of European officers employed in the Civil Service has been largely reduced, the business of civil administration shows no diminution, but is likely to increase with the progress of the social, industrial, and commercial needs of the growing population. It is the intention of Her Majesty's Government and of the Government of India that a constantly increasing share of the work of the country shall be performed by Natives of India. Not only will this gradual change add to the ties which already bind educated Natives and the chief Native families to the British Government, but the work will be performed more economically than hitherto. The number of Native gentlemen holding offices of trust and position has increased during the last three years, and will continue to do so under the combined influence of the annual admissions to the Covenanted Civil Service in both England and India,

and the rules of 1879 regarding appointments to the Uncovenanted Service. A strict observance of the latter by Local Governments and Administrations is indispensable, and will be enforced by Her Majesty's Secretary of State and by the Government of India. In this way the Government of India has every confidence that the intentions of Her Majesty's Government both at Home and in India will meet with fulfilment, and the reasonable aspirations of the people of India be in due time satisfied.

*Proportion of Europeans and Natives now employed.*

“ 35. As the question of the degree to which Natives of India are already employed in the work of Government is frequently discussed, and as erroneous statements on the subject are not unfrequently made, it will perhaps be as well that I should state the precise facts as they now stand.

“ 36. An analysis of the services, according to their composition as regards Europeans and Natives, shows that at the present time the working body of 4,082 officers is made up in the manner specified in the margin.<sup>1</sup> It must be remembered, in considering the figures given in this table, that under the recent rules, the Covenanted Service will gradually come to contain one-sixth of Natives appointed in India, in addition to any Natives who may enter by public competition in England. The number of the latter will, it is hoped, increase hereafter, under the combined influence of the breaking down of social and religious obstacles, and of the facilities now offered to Natives for study in England by the Society presided over by Lord Northbrook, and otherwise. On the other hand, the admission of Europeans to the general Uncovenanted Service has been forbidden and they will gradually disappear from its ranks.

#### “ V.—Provincialisation of Finances and development of Local Self-Government.

*Provincialisation of Finances and development of Local Self-Government.*

“ 37. The next subject to which I have to allude is the Provincialisation of the Finances and the development of Local Self-Government. The attitude of the Government in respect to these important questions has been described in two recent Resolutions, dated respectively September 30th, 1881, and January 17th, 1882 (see *Gazette of India* of September 30th, 1881, and of January 17th, 1882).

<sup>1</sup> This table has been constructed with the object of showing all branches of the public service which are directly engaged in the government or administration of the country, but not such as are concerned with its moral and material development, or the rendering of service to the community on payment. Thus, Police, Forests, Political, Jails, and Registration have been included. On the other hand, Public Works, Mints, Telegraphs, Education, Survey, Post Office, and some other miscellaneous offices, have been excluded.



It is unnecessary that I should, on the present occasion, recapitulate all that is said in those Resolutions. The two subjects with which they deal are separate, though connected. In respect to the first, namely, the Provincialisation of the Finances, the arrangements which are to obtain between the Imperial and Provincial Governments for the next five years, commencing from the 1st April 1882, have now been settled. In respect to the second, namely, the development of Local Self-Government, much yet remains to be done.

“(a) *Provincialisation of the Finances.*”

“38. Turning first to the question of the Provincialisation of the Finances, Provincialisation of Finances. it will be remembered that the principles of the new arrangements differ, in two important particulars, from those which were adopted on the occasion of the last general settlement in 1877.

“39. In the first place, all the new Provincial settlements have now been based upon the principle which was adopted in 1879 in respect to Burma. That principle is that instead of giving Local Governments, as heretofore, a fixed sum of money to make good any excess of provincialised expenditure over provincialised receipts, a certain proportion of the Imperial Revenue of each province is for the future to be devoted to this object. Certain heads, as few in number as possible, are wholly, or with minute local exceptions only, reserved as Imperial. Others are divided in proportions, for the most part equal, between Imperial and Provincial. The rest are wholly, or with minute local exceptions only, made Provincial. The balance of revenues and charges thus made Provincial, being against the Local Governments, will be rectified for each Province by a fixed percentage on its Land Revenue (otherwise reserved as Imperial), excepting in the case of Burma, where the percentage will be extended to the Imperial rice export duty and the Salt Revenue also. The advantage of this system over that which has hitherto generally prevailed is that the Provincial Governments will be given a direct interest, not only in the Provincialised Revenue, but also in the most important item of Imperial Revenue raised within their own Provinces.<sup>1</sup>”

*Principles of new settlement.*

“40. The general result of these arrangements is that about three-fifths of the Revenue of British India, amounting roughly to £42,000,000, and about one-fourth of the Expenditure, amounting roughly to £19,000,000, will be Provin-

<sup>1</sup> I may mention that before leaving India, Sir John Strachey left on record a draft Resolution under which the new contracts with the Provincial Governments were to be regulated on the plan explained in para. 39. The details have, of course, undergone revision, but the principle advocated by Sir John Strachey has been adopted by the present Government. The other main features in the new scheme, viz., (1) the relations between the Imperial and Provincial Governments in time of war and famine, and (2) the project which, for want of a better name, I term the “de-provincialisation” of the finances, have been grafted on to the original plan since Sir John Strachey left India.

cialised; that is to say, the Provincial Governments will have to a greater or less extent, according to the circumstances of each head, an interest in and responsibility for their administration. To be more explicit, they will receive the whole of the Revenue under heads which produce about £4,000,000, half of the Revenue under heads which produce about £8,000,000, a larger or smaller percentage on heads (chiefly Land Revenue) which produce about £23,000,000, and an almost nominal share in Revenues which produce £7,000,000; while they will administer the expenditure wholly under heads for which the grants amount to about £15,000,000, and to a very small extent under heads for which the grants amount to £4,000,000.

*Relations between the Imperial and Provincial Governments in respect to War and Famine.*

“ 41. In the second place, the relations of the Imperial and Provincial Governments in respect to war and famine have been defined. Under the existing agreements, a Local Government is not entitled to any assistance from the Imperial Government until the whole of its resources are exhausted. For the future the Local Governments must look for no special aid from the Imperial Government, except in the case of severe famine, and then only within certain limits, which are defined in the 8th paragraph of the Resolution of September 30th, 1881. Those limits are fixed with reference to the resources of each Province, and not to the amount expended in famine relief. Aid will be afforded at an earlier point than before. On the other hand, the Government of India has declared that it will make no demand on the Provincial Governments except in the case of disaster so abnormal as to exhaust the Imperial reserves and resources, and to necessitate the suspension of the entire machinery of public improvement throughout the empire. A special and permanent annual allotment of £1,500,000 for Famine Relief and Insurance having been made in the Imperial Budget, the Governments of the North-Western Provinces, the Punjab, and the Central Provinces are henceforth relieved from any obligations, which may have been imposed upon them, of setting aside any special Revenues with a view to the relief and prevention of famine in their respective territories. All Local Governments will, indeed, find it necessary to keep in hand a moderate reserve, over and above a mere working balance, of sufficient amount to meet scarcity and distress, not indisputably amounting to severe famine, or other temporary exigencies. But it will no longer be necessary for them to accumulate any great Provincial reserve funds out of which to meet the demands of severe famine. Where any such reserve funds have been accumulated, they will be free to be employed in works of a Productive or a Protective character.

*Repayment of War contributions.*

“ 42. The satisfactory position of the finances has enabled the Imperial Government to restore to the Provincial Governments the contributions, amount-

ing to £670,000, which were paid by these latter Governments in the years 1879-80 and 1880-81, at a time when, by reason of the Afghan War, the strain on the Imperial finances was severe.

“ 43. It remains for me to explain what will be the financial effect of the new Provincial contracts. I need hardly say that when the contracts, which are about to close, were made, the Government of India reserved to itself the right of revising them on expiry. It is, indeed, obvious that, in view of the manifold demands on the Imperial Treasury, and the necessity for affording relief to Provinces whose means are straitened, the Government of India cannot forego all its claims on the increments of Revenue which arise from the growing wealth and prosperity of the country. We have, however, wished to approach this question in a liberal spirit, and not to make any revision which will be favorable to the Imperial at the expense of the Provincial Revenues, except in cases where this course can be adopted without embarrassing Provincial Finance or checking the growth of the material prosperity of the Province.) I shall presently show (para. 64) that the net result to the Imperial Government has been a loss of Revenue.

*Financial effect  
of new contracts.*

“ 44. *Bombay.*—The settlement which was made with Bombay in 1877 was less favorable to the Provincial Government than in the case of most of the other Provinces. We do not propose, therefore, that Bombay should be asked to submit to any revision favorable to the Imperial Revenue. The new contract will be based on the Regular Estimate of the current year, and a sum of £4,800 will be added to the Imperial assignment to cover the cost of improving the position of the subordinate Civil Services.

*Bombay.*

“ 45. *Madras.*—The case of Madras differs entirely from that of any other Local Government. The Government of Madras declined to accept the more independent position offered to it in 1877, and is, therefore, still under the old Provincial arrangement of 1870. Under this arrangement the amount of provincialised Revenue and Expenditure was relatively very small. Taking the figures of the Budget Estimate for the current year, the amount of the provincialised Revenue stood at about £197,000, and the amount of provincialised Expenditure at £1,051,800. The balance of about £855,000 was made good by an Imperial allotment. Under the new arrangement, which has been concluded with the Madras Government, the provincialised Revenue will amount to about £2,178,000 and the provincialised Expenditure will, of course, be equivalent. The Government of India has granted to Madras an extra sum of £20,000 a year for Provincial Public Works. The Government of Madras has asked for a further sum of about £100,000 a year for various objects, but as

*Madras.*

the submission of detailed proposals, and in some cases the sanction of the Secretary of State, must necessarily precede any actual grant for these objects, it has been decided to leave them outside the new settlement to come into operation on April 1st, 1882, and to grant hereafter, by means of a revision of the percentage of Land Revenue assigned, whatever extra charge may be finally allowed.

“46. *Bengal.*—The terms of the Provincial Contract of 1877 were exceptionally favorable to the Government of Bengal. It was at that time thought that a considerable burden would be imposed upon Bengal in order to guarantee to the Imperial Revenue the interest on the capital spent in Bengal on the construction of Canals and Railways. The Government of India, therefore, consented at the time to abstain from claiming any part of the further increase which might be expected to the Provincial Revenues in consequence of the greater attention which it was thought they would receive from the Local Government. At the same time it was added that “while the Government of India is most desirous that the Local Government should benefit largely by any increase of Revenue to which improved administration may lead, it is evidently reasonable and necessary that the Imperial Revenues should eventually “share in such increases.”

“47. The Railway receipts have increased by £150,000 in the last three years and are now more than enough to cover the whole of the expenses, including interest. I need not, however, dwell at length on this subject. It is well known that the financial condition of Bengal, partly owing to the great natural resources of the Province and partly to the able and vigorous administration of the present Lieutenant-Governor, is very flourishing. We are of opinion, therefore, that, without in any way embarrassing Bengal finances, we may withdraw from Bengal some portion of the grant from Imperial Revenues, which it has enjoyed during the last five years, and indeed, that in justice to other Provinces we ought to do so. A careful examination of the figures leads to the conclusion that the grant might fairly be reduced by £300,000 a year. On the other hand, the measures under contemplation for the improvement of the subordinate Civil Services, as well as the cost of creating a new district (Khulna), will throw an extra charge of about £30,000 a year on the Bengal Government. Making due allowance for this increased charge, a sum of £270,000 a year would remain as the amount of revision in favor of the Imperial Government. In order, however, that the Bengal Government should not be in any way embarrassed by an immediate change, and in order that the Provincial Revenue should have

time to grow, we propose to grant a remission of £285,000, which will be credited to the Government of Bengal in the Accounts of the current year. This is tantamount to a grant of £57,000 a year for five years, but the Government of Bengal will be able to spread it over the period in any way which it may find will make the revision press most lightly on its finances. The real amount of the revision adverse to Bengal will, therefore, be £213,000 annually.

" 48. *Punjab*.—The provincialized Revenue of the Punjab has increased during the last five years at only a slightly less rapid rate than in the case of Bengal and the North-Western Provinces. Looking at the rate of increase only, a revision in favor of Imperial funds might fairly be demanded; but the Province has many wants. We do not propose, therefore, to demand anything from the Punjab, but the Provincial Revenues will bear the cost (about £4,000) which will be involved in improving the position of the subordinate Civil Services. Punjab.

" 49. *Assam*.—Assam is a poor Province with many wants. The new contract has, therefore, been based on the Regular Estimate of the year, and an extra grant of £3,100 will be given from Imperial funds to improve the position of the subordinate Civil Services. Assam.

" 50. *Central Provinces*.—The finance of the Central Provinces is in a very flourishing condition. If the new contract were made on the basis of present figures, the Local Government would start with a balance of £146,000 in hand, a surplus of above £12,500, and a normal increment of £15,000 more, independently of gain anticipated from the Railway, which is now under construction and is being fast pushed to completion. According to mere percentages, indeed, the position of the Central Provinces is even more favorable than that of Bengal. A revision to the extent of £15,000 a year might fairly have been claimed. On the other hand, the Central Provinces are notoriously behind-hand in administrative organisation and material development. The strength of Extra Assistant Commissioners is insufficient for the due performance of Treasury and other duties, and a large proportion of civil litigation is in the hands of Naib Tahsildars drawing only from Rs. 50 to Rs. 70 a month. Further, the system of roads in the Province is very far from complete. For this state of affairs the Local Government is in no way to blame. The establishments were fixed some twenty years ago, since which time trade, population, revenue, and work, have increased till it is impossible for the existing staff to do justice to the duties imposed upon them. The present Chief Commissioner deserves high credit for having recognised that the wants of a poor Province can Central Provinces.

only be satisfied within the limits of its income. Under the circumstances, however, we should not be justified in curtailing, in however small a degree, the financial means of the Province. We have, therefore, waived any demand for revision in our favor on the understanding that the Chief Commissioner will relieve the smaller Municipalities of Police charges without imposing an equivalent, and will provide out of Provincial Revenues for such increases of establishment as may be necessary, including the cost of improving the position of the Extra Assistant Commissioners and Tahsildars, under the scheme now put forward, which will be about £3,000 a year.

*Burma.*

“ 51. *Burma.*—The existing contract with Burma was entered into at the commencement of the year 1878-79, and was intended to last for five years. It would consequently run until the end of 1882-83 but for the consent, which the Chief Commissioner has given, to its being superseded by another on the new general terms.

“ 52. The case of Burma is somewhat special, and I will not lengthen this Statement by entering into the details, which are complicated. It will be sufficient for me to say that we propose to place Burma in such a position as that the Provincial Government will earn an increase during the next five years proportionately equal to that which Bengal has obtained during the agreement now expiring. That agreement, I need hardly say, has operated most favorably to the Provincial Government. An extra grant of £10,000 a year will be given to Burma for improving the position of the subordinate Civil Services.

*Abolition of duty  
on timber.*

“ 53. On the occasion of the visit recently paid by His Excellency the Viceroy to Burma, it was represented by the merchants interested in the timber trade of Moulmein, that various objections might be urged against the duty of 7 per cent. levied upon timber brought from the Karennie territory down the Salween River. Those objections were held to be valid. The duty has, therefore, been reduced to 1 per cent. The loss of Revenue consequent on this reduction is estimated at £25,000 a year. Half of this loss will eventually be borne by the Provincial, and half by the Imperial Revenues; but it has been arranged that a temporary grant of £10,000 a year for two years shall be made from the Imperial Revenues to Provincial funds, on the understanding that, should it be eventually determined to establish a Chief Court at Rangoon, the cost of the new establishments will devolve upon the Provincial Revenues,

“ 54. In order not to complicate the new contract with special provisos applicable to the first year or two only, a cash grant of £20,000, and also the sum, if any, by which Burma may, by the new contract, be placed in 1882-83 in

a worse position than under the old, will be placed to the credit of the Provincial Accounts before the 31st March 1882.

“ 55. *North-Western Provinces and Oudh.*—The case of the North-Western *North-Western Provinces and Oudh.* Provinces and Oudh requires to be treated somewhat more fully than that of other provinces.

“ 56. The Revenue of the North-Western Provinces has increased, during the currency of the contract about to expire, at nearly the same rate as that of Bengal. The normal annual increment is about £60,000. The benefit of this increment to the Local Government, however, has not been so great in the North-Western Provinces as in the case of Bengal, owing to the specially favorable settlements which Bengal obtained in 1877. During the last three years the Government of the North-Western Provinces and Oudh has surrendered to the Imperial Government a larger sum (£116,700) than Bengal (£113,200) out of a Revenue 50 per cent. smaller. As regards Expenditure, the Government of the North-Western Provinces has pursued a policy wholly different from that of Bengal. Instead of spending freely, it has saved, with the result that it has now a balance of about £858,000 at its credit, which will be increased to £1,063,000 by the repayment of the contribution of £150,000 made to the Imperial Government during the war, and the addition of £55,000 to which I will presently (para. 57) refer.

“ 57. After full consideration of the condition of the Provincial finances we have come to the conclusion that a revision of £150,000 a year in favor of Imperial Funds might fairly be asked. On the other hand, the cost of improving the subordinate Civil Services in the North-Western Provinces will be about £8,300, thus reducing the revision in favor of Imperial funds to £140,000 in round numbers. In order, however, to give the Local Revenue time to grow, and to facilitate the execution of the policy, recently announced, of relieving Municipalities of Police charges, it has been decided to act on the same principle as has been adopted in Bengal, and to grant the Local Government a partial remission during the first year of the contract of the additional sum which will be due to the Imperial Government. A sum of £55,000 will be credited to the Local Government in the Accounts for the current year. This is tantamount to a remission of £11,000 a year for five years. The reduction in Provincial Revenues will, therefore, really be only £129,000 a year.

“ 58. This, however, does not state the whole of the case. A careful examination of the economic condition of the people in the various Provinces of India leads

to the conclusion that in the North-Western Provinces and Oudh there are but slight signs of any improvement in the mass of the people during the last decade. The number of people with incomes of not less than Rs. 500 a year derived from trade and assessed to the License Tax in 1880-81 was 1,550 less than the number assessed to the Income Tax in 1870-71 and 1871-72. This would seem to indicate a diminution of the trade-wealth of these Provinces. On the whole, it may be said that nowhere in India is a reduction of taxation more required than in the North-Western Provinces and Oudh. The Government of India is, therefore, of opinion that, so far from reducing, it will be desirable to increase, the Imperial assignment in order to effect some reduction of taxation.

“ 59. The Lieutenant-Governor has been consulted, and he is of opinion that the best course to pursue will be to remit all taxation on account of patwaris and kanungoes in the North-Western Provinces and in Oudh. The amount of the cess levied on this account in the North-Western Provinces is £241,000. The amount of taxation remitted will be considerably in excess of that imposed under Act III of 1878 (£170,000).

“ 60. In Oudh no cess is levied for the purpose of remunerating patwaris. The patwaris are the private servants of the landlords and payable by them. It has been estimated that they cost their employers, or should, if properly paid, cost, some £75,000 per annum. We propose that the Government should find this sum, and take the payment of the patwaris into its own hands, when, as a matter of course, they will become Government servants, as they are in the North-Western Provinces, and will be treated accordingly.

“ 61. The kanungoes in Oudh are paid by Government and cost about £2,900 a year. But the present establishment of State-paid kanungoes is altogether insufficient for purposes of supervision. There are 96 kanungoes to supervise 9,605 patwaris, working in 24,785 villages, *i.e.*, an average of 258 villages and 100 patwaris to each kanungo. There are great diversities in the sizes of the various kanungoes' charges, the maximum number of villages in a charge being 652, the minimum 57; the maximum number of patwaris 222, the minimum 33. In the North-Western Provinces the average number of patwari circles in charge of a kanungo is about 40, and this is generally considered to be too large for efficiency. To be fairly manageable, the average charge should not, in the opinion of the best informed local authorities, be greater than about 30 patwari circles to one kanungo. The cost of providing such an establishment is estimated at £11,600 a year, *i.e.*, £8,700 a year in excess of the sum now defrayed by Government.



"62. The cost involved by these measures to the Imperial Government is shown in the following table:—

|   | £       |
|---|---------|
| Remission of Patwari Cess in the North-Western Provinces ...                          | 241,000 |
| Payments of Patwaris in Oudh, now made by landlords . ...                             | 75,000  |
| Cost of additional kanungoes in Oudh (in round numbers) ...                           | 10,000  |
| Total ...   | 826,000 |
| Deduct increase of contribution from Provincial Funds to the Imperial Treasury ... .. | 129,000 |
| Net cost to Imperial Government ... ..  | 197,000 |

"63. The adoption of this mode of giving a remission of taxation will, the Lieutenant-Governor thinks, "be more likely than any other to affect the "tenants at once, for most tenants pay a special contribution towards patwaris' "wages, either in cash or kind, and when it became known that the patwari "was paid by Government, this contribution would hardly be demanded." We intend to cause the fact of the remission to be made known by proclamation in the vernacular, of which not less than two copies will be sent to every village in the United Provinces. The Bill relating to kanungoes and patwaris, which will to-day be laid before the Council, contains provisions which will prevent any landlord from recovering from a tenant any cess or rate or portion thereof, payable in money or kind, on account of the remuneration of a patwari, which becomes due after the 30th of June next. I should also observe that the new position given to the patwaris in Oudh will materially aid the operations of the Agricultural Department in that province.

"64. *General result.*—The general result of the whole of the new contracts is as follows:—

*General result of  
new contracts.*

"The Imperial Government might resume £470,000 a year. Of this sum, however, it gives back to the Provincial Governments £77,900 for improving the position of the subordinate Civil Services, for general purposes in the Central Provinces, &c., £20,000 to the Madras Government for Provincial Public Works, and £326,000 to the North-West Provinces and Oudh, of which £10,000 is for additional kanungoes in Oudh, and the remainder (£316,000) is in the form of a remission of taxation. In addition to this the Imperial Government remits a lump sum of £360,000, equivalent to £72,000 a year for five years, on account of the first year of the new settlements by means of a transfer to the Provincial Accounts of Bengal (£285,000), Burma (£20,000), and the North-West Provinces (£55,000), to be effected before the close of the

current year (1881-82). The total grants and remissions amount to £496,000 a year. The net result, therefore, is a loss to the Imperial Government of £26,000 for five years.

(b) *Development of Local Self-Government.*

Development of  
Local Self-  
Government.

“65. Turning to the question of the development of Local Self-Government, it is to be observed that a great step in advance was made when, in 1870, India was no longer considered as a single unit for the purposes of Financial Administration. The Provincial units, however, are still very large. The Government is, therefore, of opinion that the time has come when a further step may be taken in the direction originally indicated by Lord Mayo in 1870. Boards and Committees for the administration of certain local funds already exist in most parts of India. We now wish to widen the sphere of action hitherto assigned to these bodies. The Provincial Governments have, therefore, been invited to hand over to them such items of Revenue and Expenditure as may appear most suited to give them a real interest in the administration of the resources at their command, and, on the other hand, to take over as a Provincial charge some items of Expenditure, such as Police, over which local bodies cannot exercise any real control. I will not, however, at present discuss this question at length. The Local Governments have been consulted upon the subject, and until their answers are received it will be impossible to decide upon the particular measures which it may be eventually deemed desirable to adopt. I will only say, that whilst we recognise that the development of local self-government must be gradual, and not of a nature to outstrip the wants of the country and the standard of political education at which the people have arrived, at the same time we are desirous of making a real step in advance in the proposed direction.

*Measures already  
adapted in Bengal.*

“66. I may mention, however, that one important step in advance has already been taken by the Lieutenant-Governor of Bengal, who has throughout most cordially co-operated with the Government of India in carrying out the policy now under discussion. It was indicated in the Government of India Resolution of September 30th, 1861, that it would be desirable to relieve Municipalities of Police charges and transfer to them other items of charge, such as Primary Education and Minor Public Works, the cost of which, within the limits of the Municipalities, has up to the present time been borne by Provincial Revenues. The intention was, wherever such a course was possible, merely to effect a transfer, and not either to increase or diminish Provincial or Municipal charges in the aggregate. It has been found difficult, however, more especially in the case of the smaller Municipalities, to carry this policy into effect without either increasing municipal taxation or providing extra grants from Provincial Revenues.

It appears that out of a total sum of £140,000 expended by the different Municipalities, &c., in Bengal (exclusive of Calcutta, the Suburbs, and Howrah) in 1880-81, about £44,000 was spent on Police. The Government of Bengal has, therefore, decided that the charges now borne by Government in Municipalities on account of Dispensaries and Hospitals, amounting to something less than £10,000 a year, shall be transferred to those bodies, and that at the same time the Provincial Government should take upon itself the cost of the Police. The practical result of these orders will be to set free a sum of about £35,000 a year, which the Municipalities will be able to spend on conservancy, lighting, drainage, water-supply, and similar public wants. The Lieutenant-Governor has also increased the grant for Primary Education in the ensuing year by £10,000, and has announced that he will be ready to make liberal grants-in-aid to the funds of District Road Committees for the execution of well-considered projects.

“67. In other parts of India, notably in the North-West Provinces, Assam, <sup>And in other parts of India.</sup> and the Central Provinces, the transfer of Police charges from the Municipalities to the Provincial Governments is either in active progress, or will very shortly be taken in hand, and generally it may be said that the policy of the Government of India has been cordially accepted by the Local Governments.

#### “VI.—Regular Estimates for 1881-82.

“68. I now proceed to compare the Regular Estimates with the Budget <sup>Regular Estimates, 1881-82.</sup> Estimates for the current year.

“69. The Budget Estimates were as follows:—

|             |     |     |         |     |                         |
|-------------|-----|-----|---------|-----|-------------------------|
| Revenue     | ... | ... | ...     | £   | 70,160,000 <sup>1</sup> |
| Expenditure | ... | ... | ...     | ... | 69,305,000 <sup>1</sup> |
|             |     |     | Surplus | ... | £55,000                 |

*Comparison of  
Budget and  
Regular Estimates,  
1881-82.*

“The Regular Estimates are as follows:—

|             |     |     |         |     |            |
|-------------|-----|-----|---------|-----|------------|
| Revenue     | ... | ... | ...     | £   | 72,913,000 |
| Expenditure | ... | ... | ...     | ... | 71,335,000 |
|             |     |     | Surplus | ... | £1,577,000 |

<sup>1</sup> These figures are not the same as those given in para. 72 of the Financial Statement for 1881-82. Owing to the alteration made in the form of showing the Provincial adjustments (see ante, para. 2), a sum of £821,000 has to be deducted from both sides of the Account. The net result is the same, viz., a surplus of £855,000.

Amount of Surplus.

\* The Revenue is, therefore, now estimated at £2,753,000 and the Expenditure at £2,031,000 in excess of the Budget Estimate. The net result is better than the Budget Estimates by £722,000.

Explanations in respect to Surplus.

" 70. These figures, however, would not, without some explanatory remarks, give a true indication of the financial result of the year, or of the actual financial position. It has occasionally been the practice in making a Financial Statement, after stating what is the amount of surplus or deficit as shown upon the Accounts or Estimates, to make a calculation purporting to show what is the "real" surplus or deficit,—that is to say, what is the net result after eliminating any Revenue or Expenditure of an abnormal character. Very elaborate calculations of this sort are not of much use. It always happens that in the course of the year some abnormal circumstances arise, which to a greater or less extent influence both the original Estimates and the final net result. Further, if we look at a series of years, the actual surpluses or deficits shown in the Accounts really represent the net financial result of those years. At the same time, it is quite true that, unless allowance be made for any circumstances of very special importance and of a purely extraordinary character, an incorrect idea would be formed of the net result in the particular year of their occurrence. This is particularly true as regards the finance of the year 1881-82. In the first place we have paid back £670,000 to the Local Governments (para. 42), being the amount contributed by those Governments to Imperial Funds during the Afghan War. In the second place, as I have already explained (para. 64), a sum of £360,000 has been credited to the Local Governments in the Accounts of the year in connection with the renewal of the quinquennial contracts. Both of these items have been paid out of surplus, that is to say, neither of these transactions would have been carried out had we not been assured of the possibility of effecting the payments in question without incurring a deficit. If we add together these two items, we arrive at a total of £1,030,000. On the other hand, the amount of English War contribution credited to the Accounts of the year is £2,305,000. This was greater than the amount expended on the war, including Frontier Railways. I shall presently (para. 85) show that, owing to the difficulty of making an accurate separation between Ordinary Military Expenditure and War Expenditure, it is impossible to state precisely the amount by which this sum of £2,305,000 exceeds the real amount of War Expenditure incurred during the year, but I shall not be far from the mark if I state the excess at about £250,000. Deducting £250,000 from £1,030,000, there remains £780,000. If, therefore, the Provincial Governments had not been paid £1,030,000, and if, on the other

hand, the receipts had not been swelled by an extraordinary credit of about £250,000, the surplus would have been £2,357,000. Some further corrections of this nature might be made. I have, however, said enough to show that £1,577,000 falls far short of the sum by which the normal Revenue of the year is estimated to exceed the normal Expenditure.

“71. The Budget Estimates for the current year were framed on the unquestionably sound principle that, so long as the embarrassment caused by the partial occupation of a foreign territory continued, all large measures of fiscal reform must be postponed. It is now, indeed, two years since any important alterations in the fiscal system have been made, during which time the personnel of the Indian Administration, both in England and in India, has undergone very considerable changes. It follows, therefore, that so far as the flourishing condition of the finances, which the figures I have given above indicate, results from financial administration, the credit is due not to the present Government but to its predecessors.

*Surplus due to  
Financial Admi-  
nistration of pre-  
ceding Govern-  
ments.*

“72. I proceed to give some explanations in respect to a few of the more important differences between the Regular and Budget Estimates.

*Explanation of  
details.*

“73. The net Revenue from *Excise* was originally estimated at £2,932,000.<sup>1</sup> It is now estimated at £3,312,000, being £380,000 in excess of the Budget Estimate. The general principles which guide the Government in respect to the Revenue from Excise are so well known that I need not discuss them at any length. Both from the financial and moral point of view, it is desirable to obtain a maximum of Revenue with a minimum amount of consumption. If the price of liquor is unduly increased, illicit trade at once springs up. If it be unduly diminished, drinking is encouraged. These principles are generally recognised as quite sound. The difficulty in dealing with the subject consists in their proper application. So far as any increase in the Revenue represents the substitution of licit for illicit consumption, it is an unmixed good. So far as it represents facilities for drinking being afforded beyond the ordinary requirements of the population, it is an evil.

*IV and G. Excise.*

“74. There has been an increase of Revenue in every Province of India, but the principal increase has taken place in Bengal. The net Revenue in that Province, which was originally estimated at £803,000, is now estimated at

*Increase in Bengal.*

<sup>1</sup> A Statement (X) has been added to those heretofore published, in which the net figures for 1880-81, 1881-82, and 1882-83 are given. It is thought that this statement may be useful for reference. Under the head of “Budget 1882-83” two columns are given, viz., “preliminary” and “final.” The “preliminary” column give the figures as they would stand if no fiscal changes were made. The “final” column give the figures as they stand after allowing for the loss occasioned by the remissions of taxation which, as I shall presently explain, it is proposed to make.

£953,000, an increase of £150,000. There is reason to suppose that in some districts of Bengal an unduly rapid extension of shops under the out-still system has taken place, but the Lieutenant Governor has drawn the attention of local officers to the subject, and in the future it is to be hoped that the number of licenses given will be so regulated as to follow, and not to precede, the demand for liquor.

XIII & 15.  
Post Office.

“75. The net cost to the State of the *Post Office* is now estimated at £43,000 in excess of the original Estimate. The operations of the Post Office afford a good indication of the progress of the country. During the year 1880-81 about 159,000,000 letters, newspapers, parcels, &c., passed through the Post Office, as compared with about 143,000,000 in 1879-80. The system of Post-cards, which was introduced into India on July 1st, 1879, has been much appreciated by the public. In the nine months from July 1st, 1879, to March 31st, 1880, 7,472,000 of these cards were used. In 1880-81 the number rose to 14,865,000. The number of Money Orders issued in the first nine months of the current year was 1,601,412, representing a value of about £4,295,000, as compared with 1,152,716, representing a value of about £3,344,000, during the corresponding period of 1880-81. During the year 1880-81 insured property to the value of about £7,876,000 was sent through the Post Office. The rate of insurance charged is  $\frac{1}{4}$  per cent. of the value. The amount of property lost, whether from accident, fraud, or highway robbery, was only £1,040. This result testifies to the general efficiency of the Post Office administration, and to the honesty of the large body of postal employes, the great majority of whom are Natives of India.

Reduction in Re-  
gistration Fee.

“76. Various reforms have been introduced into the Post Office administration during the current year. On August 1st, 1881, the fee for Registration was reduced from 4 to 2 annas. It is too soon yet to say what will be the ultimate financial result of this reduction, but it is certain that, since the reduction of the fee, the number of registered letters has largely increased. During the month of December 1881, which is the latest month for which returns have been received, there was an increase in Head Offices alone of about 17 per cent., as compared with April 1881.

And in postage on  
Newspapers.

“77. In October 1881 the postage on newspapers not exceeding 3 tolas (1 $\frac{1}{4}$  ozs.) in weight, was reduced from 6 to 3 pic. It is too early yet to say whether this measure will have any effect upon the circulation of the Vernacular papers, which mainly benefit by the change.

Post Office Savings  
Banks.

“78. I mentioned, on the occasion of my last Financial Statement (para. 95), that arrangements were being made to utilise the organisation of the Post Office

with a view to giving increased facilities to depositors in the Savings Banks. The new scheme will come into operation on April 1st, 1882. We are unable at present to introduce it into the Bombay Presidency, owing to legal difficulties in connection with the vested rights of the Bank of Bombay. It will, therefore, for the present, only be introduced in the Bengal and Madras Presidencies. There are, at present, in those Presidencies, 179 Railway and Treasury Savings Banks. None of these will be closed, but from April 1st, 1882, 4,035 Post Office Savings Banks will be opened. The advantages of thus facilitating the investment of small sums by the rural population are obvious. Even with the limited number of Savings Banks now open, the accumulation of capital steadily increases. There were 63,293 Native and 44,485 European and Eurasian depositors in 1880-81, as compared with 52,147 Native and 39,141 European and Eurasian depositors in 1879-80. The value of the deposits was £3,299,000 in 1880-81, as compared with £2,315,000 in 1879-80. There was a remarkable and very satisfactory increase (£718,000) in the amount of Native investments. It is to be hoped that, with the additional facilities now offered, the amounts invested will increase more rapidly than heretofore.

“ 79. The efficiency of the Post Office administration depends to a great extent on a very careful attention to small details. The requirements of the public have to be watched, and, so far as is possible, anticipated. From this point of view the criticisms and suggestions on postal administration which, from time to time, appear in the newspapers, both English and Vernacular, are of great assistance. It is desirable that the Post Office authorities should be kept fully informed of the most recent improvements introduced into the postal administration of other countries. With this object in view, a high official of the Post Office will shortly visit the principal countries of Europe, as well as the United States.

“ 80. The Government has at present under its consideration a scheme for granting Life Assurances and Annuities, both immediate and deferred, to the employés of the Post Office. This scheme will shortly be introduced. The experience we shall thus gain will enable us to judge whether it will be desirable to extend the scheme to others besides postal employés.

Life Assurance.

“ 81. The increased work which has been thrown upon the Post Office renders *Pay of Postmas-* it desirable to improve the position of Post Masters, more especially in Bengal, *ters.* the North-Western Provinces and Oudh, where their pay has, relatively speaking, been low. The salaries of the Post Masters have, therefore, been increased in those Provinces, at a cost to the State of about £5,000 a year.

XIV and 16. Telegraph.

"82. The net cost to the State of the *Telegraph* Department is now estimated at £91,000 as compared with the Budget Estimate of £81,000. In the course of the year important additions were made to the pay of the Telegraph establishment. About 1,000 miles of line have been opened and about 4,000 miles of new wire erected; 128 additional offices were opened. It is too early yet to judge of the effect on the Revenue of the alterations in the Tariff which were introduced on January 1st, 1882, or of the extent to which the system of sending "urgent" and "deferred" messages is appreciated by the public. The following figures, however, give some indication of the results attained so far. From the Calcutta Office 7 per cent. of the messages despatched during the month of January were "urgent," 71 per cent. were "ordinary," and about 21·5 per cent. were "deferred." Comparing the number of messages sent from four of the principal offices in January 1882 with the number sent in January 1881, there has been an increase in Calcutta of 9 per cent., in Madras of 11 per cent., in Rangoon of 15 per cent.; in Bombay there has been a falling off of 5 per cent. During the year Postal Telephone Offices have been established as adjuncts to the Telegraph Department. Licenses have also been granted to Telephone Exchange Companies in Calcutta, Bombay, Madras, and Kurrachee.

XXVII & 34. Other Public Works.

"83. The net Expenditure on *Other Public Works* is now estimated at £215,000 in excess of the Budget Estimate. The main increase of Imperial Expenditure has taken place in Bengal, where it is expected that the Budget Estimate will be exceeded by a sum of about £83,000. This is due to additional grants having been made during the year for the new Treasury Building, the new Central Press Building, and the new Military Account Offices, the Imperial Museum at Calcutta, and for several other works. The expenditure on Military Works during the year 1880-81 fell short of the Regular Estimate by £68,000. This amount was, therefore, added to the grant for 1881-82. For some years past it has been the practice to give a fixed grant of £1,000,000 a year for Military Works, on the understanding that any unexpended balance is carried forward for expenditure in the following year.

XXVIII and 35. Army.

"84. The Regular Estimate provides for a total net *Military Expenditure* of £17,494,000, *viz.*, £16,150,000 Ordinary and £1,344,000 War, as against a Budget Estimate of £17,855,000, *viz.*, £15,645,000 Ordinary and £2,210,000 War.<sup>1</sup> The present Estimate of net Military Expenditure is, therefore, £361,000 less than the Budget Estimate. The difference would have been greater but that

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<sup>1</sup> This calculation excludes the English contribution from the Revenue side of the Account.



a sum of £560,000 has been deducted from *Frontier Railways* and added to *Military Operations in Afghanistan*. This sum represents the amount of Capital expended on the unfinished portion of the Kandahar Railway. It was thought desirable to make this transfer in order that the Capital Account of the existing Railway, which runs from Ruk on the Indus to Sibi and Pir Chowki, should not be burdened with expenditure which does not really belong to it, and which is properly debitable to the War. If we deduct this amount of £560,000, the net War Expenditure, exclusive of Frontier Railways, would be reduced from £1,344,000 to £784,000, and the Regular Estimate of total net Military Expenditure would be £16,934,000, being £921,000 less than the Budget Estimate.

“85. I have already explained (para. 10) that a redistribution of the English contribution between the years 1880-81 and 1881-82 was made in September 1881. According to the original distribution, £2,000,000 was to be credited to the Account of 1880-81 and £3,000,000 to the Account of 1881-82. This latter sum of £3,000,000 was estimated to cover the cost of Military Operations in Afghanistan and of Frontier Railways in the proportion of £2,210,000 for the former, and £790,000 for the latter, class of expenditure. The distribution adopted in September, which was the best that could be made according to the information then available, was £2,695,000 for 1880-81 and £2,305,000 for 1881-82. According to the Regular Estimate, the net charge for *Military Operations in Afghanistan* during the year 1881-82 will be £1,344,000, and the charge for *Frontier Railways* £209,000. The total net cost of Military Operations proper and of Frontier Railways, taken together, during the year, has, therefore, been £1,553,000, being £752,000 less than the amount of the English contribution which will be credited to the year's account. These figures, however, do not accurately represent the state of the case. It will be observed that, whilst the net War Expenditure recorded under *Army* is estimated at £866,000 less, the net Ordinary Military Expenditure is estimated at £505,000 more, than the Budget Estimate. It has, in fact, been found impossible to distinguish accurately between Ordinary and War Expenditure. Orders were issued in the course of last autumn that from January 1st, 1882, the charges on account of the troops beyond the frontier should be treated as Ordinary, only special charges, such as compensation for loss of camels, &c., being classified as War Expenditure. It cannot be doubted that a great deal of the expenditure debited to the Ordinary account really belongs to the War. The Military Estimate must, in fact, be treated as a whole. The division into Ordinary and War Expenditure does not pretend to any great accuracy.

*War Expenditure  
of 1881-82.*

Total cost of the War.

“86. It will be convenient in this place that I should state the total cost of the War. Exclusive of the cost of Frontier Railways, the direct cost of the War may be taken at £17,551,000 (true sterling £14,679,000). The Frontier Railways are estimated to cost £4,060,000 (true sterling £3,614,000). The total cost of the War, if we include Frontier Railways, is, therefore, £21,611,000 (true sterling £18,293,000). Of this amount £5,000,000 (true sterling) has been paid by the Government of England, and the remainder by the Government of India.

| Year.                                | Military operations. | Frontier Railways. | TOTAL.            |
|--------------------------------------|----------------------|--------------------|-------------------|
|                                      | £                    | £                  | £                 |
| 1878-79 (Accounts) . . . . .         | 676,000              | ...                | 676,000           |
| 1879-80 (Accounts) . . . . .         | 4,766,000            | 1,334,000          | 6,100,000         |
| 1880-81 (Accounts) . . . . .         | 10,766,000           | 2,294,000          | 13,060,000        |
| 1881-82 (Regular Estimate) . . . . . | 1,344,000            | 209,000            | 1,553,000         |
| 1882-83 (Budget Estimate) . . . . .  | ...                  | 223,000            | 223,000           |
| <b>TOTAL</b> . . . . .               | <b>17,551,000</b>    | <b>4,060,000</b>   | <b>21,611,000</b> |

“87. This is the best calculation that can be made of the cost of the War, but it does not profess to be very accurate. On the one hand, certain deductions have to be made by reason of the increased receipts from Railways and Telegraphs, consequent on the War. It is impossible to say to what an extent any deduction should be made on these heads, but the amount, if it could be accurately calculated, would, no doubt, be considerable. On the other hand, some large additions have to be made, both by reason of the fact, to which I have alluded above (para. 85), that a good deal of War Expenditure has been debited to the Ordinary Account, and also because the cost of the Punjab Northern State Railway is not included in this calculation. The construction of that Railway was hurried on by reason of the War, and, in consequence, it no doubt cost considerably more than it otherwise would have done. Further, some small charges have yet to be incurred on account of the War. Provision has been made in the Budget of 1882-83 for a sum of £30,000 on account of these charges.

A very accurate calculation is impossible.

“88. The Budget Estimate provided for a net *Loss by Exchange* of £3,063,000. It was anticipated that the Secretary of State would draw £17,200,000 sterling. The value of the rupee was taken at 1s. 8d. There has been a considerable demand for Council Bills lately. The opportunity has, therefore, been taken to remit home money to an extent somewhat in excess of the year's requirements. It is now estimated that the Secretary of State will draw on the Government of India to the extent of £17,504,000 sterling during the current year, at an average rate of 1s. 7-88d. The net *Loss by Exchange* is now estimated at £3,294,000, being £231,000 in excess of the Budget Estimate.

XXIX and 36.  
Exchange.

"89. It will be observed that the grant of £1,500,000 for *Famine Relief and Insurance* is divided into three sub-heads, *viz.*, *Relief*, *Protective Works*, and *Reduction of debt*. There has been an expenditure of £23,000 on *Famine Relief* during the current year in Madras, caused by a remission of some of the advances given to cultivators and others in 1876.

"90. According to the Regular Estimate the expenditure during the current year on *Protective Works* will be as follows:—

|                                       | £       | £       |
|---------------------------------------|---------|---------|
| <i>North-West Provinces—</i>          |         |         |
| Betwa Canal                           |         | 25,000  |
| <i>Bombay—</i>                        |         |         |
| Nira and Gokak Canals and Maswad Tank | 82,000  |         |
| Southern Mahratta Railway             | 315,000 |         |
|                                       |         | 397,000 |
| <i>Punjab—</i>                        |         |         |
| Swat Canal                            | 40,000  |         |
| Rewari—Ferozepore Railway             | 207,700 |         |
|                                       |         | 247,700 |
| <i>Madras—</i>                        |         |         |
| Surveys                               |         | 6,000   |
| Expenditure in England                |         | 51,300  |
|                                       |         | <hr/>   |
| TOTAL                                 | ...     | 727,000 |

"91. The annual grant (£750,000) to be applied to the *Reduction of Debt*, together with a portion (£90,000) of the same grant for 1882-83, will be devoted to paying off the 5 per cent. loan of 1867 (£603,000) and the 4 per cent. loans of 1871 (£203,100), of 1824-25 (£31,600), and of 1828-29 (£5,800). Various suggestions have, from time to time, been made as to the best method of spending this money for the future. I need not, at present, discuss those suggestions. They will, without doubt, be carefully considered by the Commissioners appointed under the Government Resolution published in the *Gazette of India* of February 4th, 1882. It was, in fact, with a view to the full consideration by an independent body of the various alternatives which are possible that the Commissioners were nominated; and the Resolution appointing them was drafted with a view to embracing all the different suggestions which have, from time to time, been made. We should have been glad if we could have given somewhat greater powers to the Commissioners, but it was held that we were precluded by Act of Parliament from doing so. The Commission will be a consultative body. The final responsibility for action will rest with the Government. I trust, however, that the difference will be more

nominal than real. The Government will, without doubt, always be disposed to follow the advice of the Commissioners. I wish on behalf of the Government to thank the gentlemen (Mr. J. Keswick and the Honourable Durga Charan Láhá) who have consented to act as Commissioners. It is, I venture to think, desirable to take any opportunity of this sort which may arise to associate the leading members of the mercantile community with the work of Government in India. A good deal of misapprehension as to the views and intentions of Government not unfrequently arises from the want of free communication between the official and unofficial classes.

*Famine Insurance  
policy.*

“92. I take the present opportunity of drawing renewed attention to the leading feature of the Famine Insurance policy. Whether the method which has now been adopted for disposing of the annual grant of £1,500,000 is the best of which the circumstances admit, may be a matter of opinion. There can, however, be no doubt whatever that by the annual expenditure of £750,000 on works which will to some extent prevent famine, and which will also, it may reasonably be hoped, render the relief of famine, when it occurs, less costly,—and by the expenditure of a further sum of £750,000 on reducing debt in some form or another,—we are, in the strictest sense of the word, insured against famine to the extent of £1,500,000 a year. That sum the Famine Commissioners, after a very full consideration of the whole subject, named as the “amount not likely to be exceeded as the average charge for famine relief “over a series of years.” Having made provision for this sum of money to be expended annually, the Government considers that all that is necessary has been done with a view to placing India in a sound financial position to meet future famines. I mention this again, although it has frequently been explained before, because, should unfortunately a famine occur with the result that any anticipated surplus of the year is turned into a deficit, it may not improbably be urged by those who take a very gloomy view of the financial position of India as a proof that their fears have been verified. I venture to think that no such inference would be justified. We do not profess to finance for a surplus in a year of famine. When a serious famine occurs, it is inevitable that the Expenditure of the year should be greater than the Revenue. We anticipate that, under the circumstances assumed, this will be the case, and we consider that all the requirements of sound finance have been met if in ordinary years a sum of £1,500,000 has been expended, partly as an insurance against the loss which must of necessity accrue when famine occurs, and partly on works which will either tend to prevent the occurrence of famine, or will, at all events, diminish the cost of relieving it when it occurs.

**“VII.—Expenditure on Railways.**

“93. The “Ordinary” Expenditure on Railways for the year 1881-82 was originally estimated at £417,000. It is now estimated at £281,000. The difference is mainly due to the transfer of the estimated outlay during the current year on the Jhelum—Rawulpindi Section and Salt Branch Extension of the Punjab Northern State Railway from *32. Railways* to *37. Productive Public Works*. Railways.  
*XXV and 32.*  
Railways.

“94. The item of £39,000 under the sub-head of *Subsidized Railways* is for the purchase of the land necessary to the construction of the Bengal Central Railway, and for guaranteed interest payable to the Company. The item of £2,000 on the Revenue side of the Account represents the interest realised on the capital paid by the Company to the Secretary of State. Subsidized Railways.

“95. The decrease of £581,000 under the sub-head of *Frontier Railways* is mainly due to the transfer of £560,000 to *Military Operations in Afghanistan*, which I have already explained (para. 84). Frontier Railways.

“96. Turning to the Revenue and Expenditure Account of those Railways which are classed as Productive Public Works, it will be observed, on comparing the figures under *XXV and 32. Railways*, that the Budget Estimate of net receipts appears to have been exceeded by £1,034,000. Of this apparent improvement, £150,000 is shown as decrease of expenditure on account of the East Indian Railway. The decrease under this head is almost entirely due to the interest on the East Indian Railway Debentures having, in the Budget Estimates, been included under *32. Railways*, whereas, in the Regular Estimate, it is charged to *1. Interest on Debt*. The result is that, whilst the charge under the former head of account is decreased, that under the latter is increased to the extent of about £150,000. Hence, the net receipts from *Railways* are really £914,000 in excess of the Budget Estimate. Almost the whole of this increase is on account of the Guaranteed and East Indian Railways. On the Guaranteed lines the main increases have taken place in the Great Indian Peninsula and Eastern Bengal Railways. The net receipts from State Railways are now estimated at £18,000 more than the Budget Estimate. The net receipts of the Rajputana—Malwa Railway have improved by £110,000; but this improvement has been, to a great extent, counterbalanced by the falling off on the Punjab Northern Railway, the net receipts from which are now taken at £88,000 less than was originally estimated. So long as the war traffic was going on, it was difficult to frame any correct estimate of the normal net receipts on this line. Railways classed as Productive Public Works. Revenue and Expenditure Account.

Construction of  
Railways by  
private enter-  
prise.

“97. In my last Financial Statement (para. 30) I made the following remarks: “I am not over-sanguine as to the possibility of developing the resources of India rapidly through the agency of private enterprise; but the end to be attained is so important that the policy merits a further trial.” My main object in making these remarks was to draw public attention to the subject and to remove the impression which heretofore, whether rightly or wrongly, had prevailed, that the Government of India was disposed to discourage the construction of Railways by any other agency than that of the State. This object has been attained. The question has, indeed, now entered a new phase. Numerous offers have been received by the Government to construct Railways on terms more or less advantageous to the State. Many of these merit, and will receive, careful attention. In respect to others, all I need say is that the necessity for the warning which I gave last year to the effect that it was “important only to give concessions to such persons as can afford good security that they have at their command a sufficient amount of capital to carry out the undertaking to a successful issue,” has been justified by subsequent events.

Central Bengal  
Railway.

“98. I mentioned last year that a Company was about to be formed, under the auspices of Messrs. Rothschild, to construct a Railway from Calcutta to Jessore and Khulna. The original basis of negotiation was that no Government aid was to be given except the grant, free of charge, of the land necessary to the construction of the line. Ultimately it was decided to give a guarantee of 4 per cent. during the period of construction, which was limited to five years. The transaction was a great advance on anything which had heretofore been accomplished in the way of constructing Railways by unaided private enterprise in India.

Railway policy is  
under discussion.

“99. In respect to some Railways in India it may be said that they present a sufficiently reasonable prospect of success to justify the hope that the capital necessary to their construction can be raised through the agency of private enterprise on the exclusive security of the success of the undertaking. In respect to others, whose immediate prospects of proving remunerative are less hopeful, it was inevitable that the question of the degree of aid which, in the early stages of the undertaking, may legitimately be afforded by the State, should arise. This important question now forms the subject of correspondence between the Secretary of State and the Government of India. Under these circumstances I will not at present discuss it, but will confine myself to stating in detail the actual position of affairs, both as regards the progress of Railway construction generally, and of the main projects which have recently occupied the attention of Government and of the public.

“100. I wish, however, to say that so far as the broad issue of whether per-<sup>General principle of private enter- prise approved by the Secretary of State.</sup> mission should under any circumstances be given to private Companies to construct Railways in India is concerned, Her Majesty's Government has entirely approved of the views which I propounded on the occasion of my last Financial Statement. In a despatch reviewing that Statement the Secretary of State observed : “I have to express my cordial approval of the views enunciated “by Major Baring in his Financial Statement, regarding the encouragement of “private enterprise in India, any measures in which direction will be welcomed “by Her Majesty's Government.” I repeat that I am not over-sanguine of the results which may be produced by this change of system. The success or failure of the policy obviously depends to a great extent on circumstances over which the Government can exercise no control. All I claim for the policy is that it should have a fair and impartial trial.

“101. At the commencement of the year 1881-82, there were 9,619 miles of Railway open to traffic, and 646 miles under construction. During 1881-82, 318 miles of Railway have been opened to traffic and the commencement of 1,154 additional miles has been sanctioned. We have, therefore, now 9,937 miles open to traffic and 1,482 miles which are either under construction or whose construction will be commenced in 1882-83, making a total of 11,419 miles. Of those lines which are under construction it is expected that 491 miles will be opened during the year 1882-83. <sup>Lines open and under construction.</sup>

“102. In the course of the year arrangements were made with the Oudh and Rohilkhund Railway Company to extend their operations in a northerly direction from Moradabad to Saharunpore with a branch from Roorkee to Hurdwar, a total distance of 134 miles, at a cost of about £1,500,000. It is expected that this extension, together with the bridge over the Ganges at Benares, will be finished in 1883-84. There will then be through communication, without any break of gauge, from the East Indian Railway at Mogulserai through Oudh to Saharunpore. <sup>Oudh and Rohilkhund extension.</sup>

“103. A survey has been made of the line from Sonapur to Gorakhpur and Bahraich. The total length of this line, with its branches, is 432 miles. It was originally estimated to cost, on the metre gauge, £2,126,000, or about £4,900 a mile. The Consulting Engineer of the Government of India considers this estimate too low. The estimates are now being further examined. In the meanwhile the papers on the subject have been published, and we have addressed the Secretary of State, recommending that enquiries should be made with a view to ascertaining whether a Company, unaided by Government in any <sup>Sonapur—Gorakhpur and Bahraich Railway.</sup>

way except by a free grant of land, could be formed to undertake the construction of the line.

Southern Mahratta System.

"104. One of the most important lines in India, whether from the point of view of protection against famine or in respect to the development of a tract of country whose progress is now retarded owing to deficient means of communication, is that which is known by the name of the Southern Mahratta System. This system includes (1) the line from Bellary to the Portuguese Frontier, which the Government of India is under a treaty obligation to construct; (2) branches to Belgaum on the one hand and to Bunkapur on the other; (3) a direct connection between Sholapur and Gadag. The total length of the line is 444 miles. £315,000 will be spent on the Sholapur—Gadag and Bellary—Hubli Sections in 1881-82 out of the grant of £750,000 for Protective Works. A further allotment of £370,000 out of the same grant has been made for 1882-83. Work is about to commence on the line between New Hubli and the Portuguese Frontier. A sum of £150,000 from Ordinary funds has been granted for this purpose in 1882-83. This is the most we can do at present with the funds at our disposal. But, in view of the very great importance of completing this Railway system without delay, we have urged upon the Secretary of State the desirability of endeavouring to arrange for its construction by a Company. It is especially in respect to lines of this nature that the question of the degree of aid which may be afforded by the State to private enterprise arises.

Railway communication with Assam.

"105. The question of Railway communication with Assam has recently occupied the attention of the Government. At a recent meeting of the Indian Tea Association the Chairman (Mr. J. Keswick) said—"What we want for Assam is good communications; for good communications will do more to settle the labour question than anything else. The soil we know to be of the richest description, and with sufficient labour there is no limit to its productivity."

Dacca—Mymensingh Line.

"106. The projected line from Naraingunge to Dacca and Mymensingh is 85 miles long. It is estimated to cost £600,000, or about £7,000 a mile, on the metre gauge. The line is now being located. It would be desirable that this line should be constructed, if only to open out the country about Mymensingh, but its main importance lies in the possibility of a further extension to Gauhati, a distance of about 100 miles from Mymensingh. This extension is being now reconnoitred. No official report on the results of the reconnaissance has as yet been received, but I am informed that the



Engineer-in-Chief is of opinion that the route is impracticable, save at very inordinate expense.

“107. An alternative project would be to make a line through the Cachar hills to Sibsagar. This alternative is supported by many high authorities. No reconnaissance has as yet been made of this route. In the meanwhile the Bengal Government has under consideration a project to make a Railway from Daudkandhy to Comilla and Chittagong, a distance of 125 miles. It is estimated that, on the metre gauge, the construction of this line would cost £812,500, or £6,500 a mile.

*Line from Daudkandhy to Comilla and Chittagong.*

“108. In the meanwhile, as it is obvious that some long while must yet elapse before Railway communication with Assam can be established, arrangements are being made with a Company to start a daily service of fast steamers up the Brahmaputra from Dhubri. These arrangements are now almost complete.

*River communication up the Brahmaputra.*

“109. In the course of the year a concession was made to a Company to construct 76 miles of Railway in the most easterly portion of Assam, namely, from Dibrugarh to Sadiya (52 miles), with a branch to Makum (24 miles). This proposal has been for a long while under consideration, and the negotiations were already far advanced, when, on the occasion of my last Financial Statement, I alluded to the desire of Government to enlist private enterprise in aid of Railway construction in India. The concessions granted to the Company were very liberal, and are not to be taken as an indication of what the Government would be prepared to concede in other cases.

*Dibrugarh—Sadiya Line.*

“110. Reconnaissance surveys are being made with a view to considering the possibility of making a direct connection between the Central Provinces and the East Indian Railway system. Various overtures have been received from capitalists of respectability, including some Natives of India, which may perhaps eventually lead to the construction of this line. Until, however, the reports of the Engineer Officers who are now employed in reconnoitering are received, I am unable to say any thing definite, either as to the route the line will eventually take, or as to the likelihood of any negotiations with a Company being conducted to a successful issue.

*Direct connection between the Central Provinces and the East Indian Railway system.*

“111. Simultaneously, a reconnaissance is being made of the country between Raipore and Vizagapatam, with a view to judging of the possibility of connecting these points by Railway.

*Raipore—Vizagapatam Line.*

“112. Negotiations are in progress with a view to the construction, through private agency, of a Railway from Barcilly to Ranibagh, a distance of 66 miles. The cost of this undertaking will be about £220,000.

*Barcilly—Ranibagh Line.*

Baroon—Dalton-  
gunge Line.

“113. A proposal has been received from a local Company to make a line from Baroon, on the river Sone, to Daltongunge. The length of this line is 56 miles, and the cost, on the metre gauge, is estimated at about £275,000, or £4,900 a mile. This project is now under the consideration of the Bengal Government. The information at present in the possession of Government is not of a nature to enable us to judge thoroughly of the advisability, or the reverse, of making the concessions which have been demanded.

Nilgiri Railway.

“114. Negotiations are pending between the Madras Government and a Company with a view to the construction of a line from Metapaliyam to Coonoor, a distance of 12 miles. The cost of this line is estimated at £132,000.

Baidyanath—Deo-  
ghur Tramway.

“115. A short line is to be constructed from the Baidyanath Station on the East Indian Railway, to Deogurli and Rohinee, a distance of 6 miles. A very satisfactory feature in respect to this small undertaking is that it is to be constructed without any aid from Government except the grant of the land, and that the capital required (£25,000) has been locally subscribed.

Rohtuk—Delhi  
Tramway.

“116. There is also some prospect that a local Company will be formed in the Punjab to make a tramway from Rohtuk to Delhi, a distance of 43 miles.

Total cost of  
Railways in  
India.

“117. It may be interesting that I should here state the sum of money which, up to the present time, has been laid out on Railways in India, together with the financial results which have ensued from their construction.

“118. The total capital outlay on Railways in India up to the end of 1882-83<sup>1</sup> will be £138,937,000, viz., £68,292,000 on Guaranteed lines, £31,852,000 on State lines, and £38,793,000 on the East Indian Railway.

“119. The net charge to the State on account of the Guaranteed lines has been decreasing since 1872-73, in which year it reached its maximum figure (£2,054,000). In 1881-82 it is estimated that the net charge will only be £115,000. In 1882-83 it is at present estimated that the net charge will be £261,000.

“120. The net charge to the State on account of State lines reached its maximum figure (£725,000) in 1879-80. In 1882-83 it is estimated at £206,000.

<sup>1</sup> Up to the end of 1880-81, the figures are Actuals; for 1881-82, the figures of the Regular, and for 1882-83, those of the Budget Estimate, have been taken.

“121. From 1879-80, when the East Indian Railway was taken over by the State, up to the end of 1882-83, it is estimated that this line will have yielded a net profit to Government of £4,133,000.

“122. If the subject be considered as a whole, it may be said that the total cost of the Railways to India from their commencement to the end of 1882-83, that is to say, the total sum by which the net receipts have fallen short of the interest paid on the Capital outlay, is estimated at £25,569,000. The maximum net charge to the State in any one year amounted to £2,163,000. This figure was reached in 1872-73. In 1877-78 the Railways for the first time yielded a net profit (£132,000). This was due to the large amount of traffic during the famine. In the following year (1878-79), when the country was suffering from the effects of the famine, the net charge was heavy (£1,350,000). If we balance the abnormal receipts of the year 1877-78 against the abnormal losses in 1878-79, it may be said that since 1872-73, the net charge to the State has been steadily diminishing, until during the current year it is estimated that a net profit of £723,000 will be realised. This result may possibly be exceptional, and it would be unsafe to rely on a continuance of the high receipts which have recently been obtained. But according to the moderate Budget Estimate of 1882-83, the net gain to the State during the coming year will be £261,000.

*The net charge to the State has been diminishing since 1872-73.*

“123. It may also be interesting that I should state the financial position of each Railway considered separately. The following tables show (1) the capital outlay on each line to the end of 1881-82; (2) the estimated net receipts during the current year; (3) the percentage return on the capital outlay.

“1. *Guaranteed Railways.*

|   | Estimated capital outlay to end of 1881-82. | Net Receipts.<br>Regular Estimate, 1881-82. | Percentage. |
|---|---|---|-------------|
|   | £   | £   |             |
| Eastern Bengal . . . . .                    | 3,555,509                                   | 300,000                                     | 8.43        |
| Madras . . . . .                            | 11,424,764                                  | 200,000                                     | 1.75        |
| South Indian . . . . .                      | 4,547,039                                   | 120,000                                     | 2.64        |
| Bombay, Baroda, and Central India . . . . . | 8,756,881                                   | 580,000                                     | 6.62        |
| Great Indian Peninsula . . . . .            | 25,749,956                                  | 1,800,000                                   | 6.99        |
| Oudh and Rohilkhand . . . . .               | 6,321,763                                   | 195,000                                     | 3.08        |
| Sind, Punjab, and Delhi . . . . .           | 11,957,111                                  | 295,000                                     | 2.47        |

## "2. State Railways.

|  | Estimated capital<br>outlay to end of<br>1881-82. | Net Receipts.<br>—<br>Regular Estimate,<br>1881-82. | Percentage. |
|--|---|---|-------------|
|  | £   | £   |             |
| East Indian Railway . . . . .  | 38,307,683  | 3,110,000   | 8.12        |
| Rajputana . . . . .  | 5,617,039   | 320,000   | 5.70        |
| Western Rajputana . . . . .  |   |   |             |
| Neemuch . . . . .  | 3,423,441   | 60,000  | 1.75        |
| Holkar . . . . .   |   |   |             |
| Scindia . . . . .  | 869,206   | 9,500   | 1.09        |
| Wardha Coal . . . . .  | 593,592   | 7,500   | 1.26        |
| Nagpur and Chattisgarh . . . . .   | 828,567   | 10,000  | 1.21        |
| Rangoon and Irrawaddy . . . . .  | 1,289,305   | 64,000  | 4.96        |
| Dhond and Masnad . . . . .   | 997,628   | 14,000  | 1.40        |
| Northern Bengal . . . . .  | 2,101,600   | 94,000  | 4.47        |
| Tirhoot . . . . .  | 575,285   | 21,000  | 4.17        |
| Patna and Gya . . . . .  | 380,014   | 17,000  | 4.47        |
| Nullahi . . . . .  | 83,024  | 100   | .29         |
| Calcutta and South-Eastern . . . . .                                       | 679,436   | —4,000  | —59         |
| Cawnpore—Farakhabad . . . . .  | 321,841   | 12,500  | 3.84        |
| Muttra—Hathras . . . . .   | 109,287   | 3,500   | 3.20        |
| Ghazipur—Dildarnagar . . . . .   | 67,853  | 500   | .74         |
| Muttra—Achneyra . . . . .  | 66,890  | 100   | .15         |
| Indus Valley . . . . .   | 8,028,093   | 115,600   | 1.43        |
| Punjab Northern (Lahore to Rawalpiudi,<br>including Salt Branch) . . . . . | 4,534,743   | 21,500  | .47         |

Conclusions to be  
drawn from the  
figures.

"124. These tables enable us to arrive at the following conclusions:—

"(1) In respect to the Guaranteed lines, £38,062,000 of the capital which has been laid out up to the end of 1881-82 is paying more than 4%, and £34,251,000 is paying less than 4%.

"(2) The East Indian Railway, on which £38,308,000 has been expended, is paying about 8%.

"(3) In respect to the State lines, £9,963,000 of the capital laid out up to the end of 1881-82 is paying more, and £20,555,000 is paying less than 4%. It is to be borne in mind that this latter figure includes £12,563,000 for the Indus Valley and Punjab Northern Lines, which were avowedly constructed for strategical purposes, that many of the lines are scarcely finished, and that others have only very recently been opened to traffic.

### "VIII.—Supply of Stores to Government.

Supply of Stores to Government. "125. In the last Financial Statement (para. 105) I alluded to the desirability of substituting articles of local manufacture, when possible, for such

articles as the Government has been in the habit of importing from Europe. The objects of this policy are twofold. In the first place, to diminish the Home charges. In the second place, to encourage by all legitimate means the establishment of new industries in India. In respect to this latter question the Famine Commissioners observe (Report, Part II, Chap. VI) that—

*Objects of the policy of purchasing stores locally.*

“At the root of much of the poverty of the people of India, and of the risks to which they are exposed in seasons of scarcity, lies the unfortunate circumstance that agriculture forms almost the sole occupation of the mass of the population, and that no remedy for present evils can be complete which does not include the introduction of a diversity of occupations, through which the surplus population may be drawn from agricultural pursuits and led to find the means of subsistence in manufactures or some such employments.”

\* \* \* \* \*

“So far as the products of any industries established in India can be economically used by Government, they might properly be preferred to articles exported from Europe, and generally the local markets should be resorted to for all requisite supplies they can afford. We are aware that steps have been taken, within the last few years, to enforce this principle, but more can certainly be done, and greater attention may properly be paid to the subject.”

“126. It would be easy to exaggerate the extent to which any Government action can exercise an influence upon the important economic question to which the Famine Commissioners allude. This was pointed out by the Commissioners in their Report. At the same time Government can do something in the proposed direction, and what it can do, it ought to do and is desirous to do.

*Limits to influence of Government.*

“127. General orders have on previous occasions been issued to the effect that, wherever feasible, stores of Indian origin or manufacture should be substituted for imported goods. But the tendency of general orders is to be overlooked. When, therefore, a general order was issued last June prescribing that for the future every effort should be made to supply the wants of Government by the purchase in the local market of articles of *bona fide* local manufacture, it was deemed necessary, in order to ensure attention to the order, to follow it up by a specific prohibition in every case, in which this could reasonably be done, of the importation of stores. The prohibition could not, of course, be made absolute. It was necessarily limited to cases where the articles required could be obtained in quantities sufficient for requirements at prices not higher than, and of a quality not appreciably inferior to, the prices and quality of the imported goods for which they were to be substituted. Also, where an Indian-made article different from the imported article, but equally servicable, was obtainable, orders were given that the former was to be preferred. Since last June the Financial Department has been actively

*General orders on the subject have been overlooked.*

employed in watching the operation of the orders given by the Government, and seeing that they are rigorously adhered to. The Military and Public Works Departments, which are the two largest consumers of stores, gave their adhesion to the policy under discussion, and have co-operated in carrying it into execution. The Local Governments and Administrations have also lent valuable assistance by insisting on a careful observance of the orders by the chiefs of the departments subordinate to them. I take this opportunity of expressing a hope that the various Departments concerned, as well as the Local Governments and Administrations, will continue to watch this subject carefully. Without their cordial co-operation and assistance it will be almost impossible to give effect to the policy of the Government. General orders, as I have already said, are of little avail. The question is essentially one of detail, and unless each indent on England be carefully examined in detail, with a view to the exclusion of such articles as can be obtained locally, no considerable advance in the desired direction will be made.

*Results attained up to present time.*

"128. It was considered that the most efficient and speedy way of ensuring the practical execution of the orders was to call for statements of the stores received by Departments from England during the two previous years, and to specify distinctly the stores entered in the lists which were not in future to be obtained elsewhere than in India. This has been done with every list of stores which has been received, and a similar process has been gone through with every current indent for stores received in the Financial Department. The work has been very laborious, and much credit is due to Mr. O'Connor, the Assistant Secretary in the Financial Department, for the manner in which it has

*Civil Departments.*

been executed. The result so far is, briefly, that in the Civil Departments, stores, which had hitherto been imported to the annual value of about £80,000, will in future be obtained in India of Indian manufacture. The largest values are represented by cotton and woollen goods, but the list includes a great variety of other articles; for instance, agricultural and other implements, building materials, such as cement and fire bricks, chemicals, drugs and medicines, earthenware, glass-ware, hardware, iron-ware in great detail, leather, liquors, oils, paints, soap, paper and stationery, printing materials, rope and twine, silk goods, scientific instruments, &c. This list indicates the great capacity of India as a manufacturing country. Capital and acquired skill are necessary for the full development of this capacity, and it is hoped that this will be forthcoming if the prospect is held out of a continuous demand on the part of the State for all the articles which it requires. The Government has, accordingly, offered contracts for terms of years to anybody able to supply articles not now made in the country of sufficiently good quality and at reasonable

*Capacity of India as a manufacturing country.*

prices. In some cases such offers have elicited answers which are encouraging. In others no reply has been made to the offers of the Government.

“129. In addition to the total of £80,000 mentioned above, the Military Department has already substituted Indian goods to the value of £166,700 for articles hitherto imported; among the chief items being beer and woollen goods (blankets). Arrangements have also been made to manufacture in India, through the agency of private enterprise, a portion of the boots required for the Army, and it is hoped that eventually India will be able to supply the whole demand. The change is still in active progress in the Military Department, and in the course of another year or two it is hoped that the total amount of stores purchased in India will be increased. *Military Department.*

“130. The Public Works Department has not as yet been able to do much in the same direction. The requirements of that Department mainly consist of girders, rails, and other articles made of wrought iron. Unfortunately India cannot yet manufacture wrought iron or steel, although it is hoped that before long a commencement will be made. Great facilities exist for the manufacture of these articles in more than one province, and only wait for efficient private enterprise to take them up. *Public Works Department.*

“131. A reduction of about £250,000 out of the whole value of the Government stores imported into India is not much, but it is a good beginning. With the development of the woollen industry which has been started under favorable conditions at Cawnpore and Lahore, paper-making, leather manufacture, and brewing, all of which are now thriving, there is good reason to hope that eventually a material impression will be made on the totals of the imports on account of the State. *Total reduction of European stores up to present time.*

“132. Sufficient time has not yet elapsed for the effect of the orders which were recently issued to be seen on a general review of the imports. Indents which had been sent to England in 1880 or before, are now being complied with; reserve stores must be exhausted, and time must be given to local manufacturers to complete their arrangements to make and deliver goods. I give, however, the following figures, in order to show the facts of the case as they now stand. *Result as shown by comparison of total imports.*

“133. The total value of the stores imported on behalf of Government in 1879-80 was £1,424,000. In 1880-81 it was £2,808,000. The increase in 1880-81 over 1879-80 is to a great extent apparent and not real, owing to the classification of stores for the East Indian Railway, after it became the property of the State, as Government stores, whereas formerly they were classed in the

trade accounts under general trade. A great quantity of material was also imported for the Frontier and other State lines of Railway. The increase was, in fact, almost entirely under this head. In the ten months of the current year, for which we have returns, the value of the imports has amounted to £1,806,000 as against £2,849,000 in 1880-81 and £1,070,000 in 1879-80. Of this sum of £1,806,000, £1,014,000 was for "Railway Plant and Rolling-stock," which cannot be obtained in India, as against £1,322,000 in 1880-81 and £322,000 in 1879-80 under the same head. Excluding this item, the figures for the three years would stand thus:—

|         |     |     |     | £         |
|---------|-----|-----|-----|-----------|
| 1879-80 | ... | ... | ... | 748,000   |
| 1880-81 | ... | ... | ... | 1,027,000 |
| 1881-82 | ... | ... | ... | 792,000   |

"The value of imports, other than Railway material, during the first ten months of 1881-82 is, therefore, £235,000 less than during the corresponding period of 1880-81, and £44,000 more than during the corresponding period of 1879-80. Little, however, is to be learnt by comparisons of this sort. The only way to watch the development of the policy is to compare the total quantities of any particular article supplied to the State, and note the proportion in which those quantities have been obtained locally or imported from Europe.

Jail manufactures.

"134. In connection with the subject now under discussion I may mention that the question of jail manufactures is at present under the consideration of Government. A circular has been addressed to Local Governments with a view to ascertaining the precise nature of the articles which are sold either to the public or to Government, and, more especially, the system which is adopted in calculating the selling price of those articles. There can be little doubt that, in some instances at all events, articles manufactured at jails are sold at prices which preclude the possibility of fair competition. Moreover, it must in some places happen that one large jail can supply articles sufficient to meet the whole local demand, so that, irrespective of price, local enterprise is in danger of being crushed out. If the question be considered from the purely financial and economic point of view, it may, I think, be held that any diminution of the charge for jails thrown on Government is dearly bought at the expense of checking the growth of Native industries. The question, however, is not purely financial and economic. Behind it lies the far more difficult question of how prisoners can best be employed. I am not at present in a position to state the nature of the decisions at which the Government will ultimately arrive. All I can now say is that we recognise



the importance of this difficult question, and that it will receive careful consideration.

### “IX.—The Opium Question.

“135. The main financial and political feature of the year which is about to close, is that, whereas at its commencement we were at war, or at all events were still burthened with a heavy War Expenditure, we are now at peace. With the advent of peace the Government has been able to turn its attention to questions of domestic policy. We have, during the course of the summer, passed under review the several branches of the Indian fiscal system, and I am now in a position to announce the decisions at which we have arrived in respect to several important points connected with that system. The first question to which I propose to allude is Opium.

*The Opium Question from an economic point of view.*

“136. It has been often stated that the Revenue which India derives from Opium is precarious. It will be desirable to examine to what extent this description is correct.

*Extent to which the Opium Revenue is precarious discussed.*

“137. The general belief that the Opium Revenue is precarious, appears, to a great extent, to be based upon the violent fluctuations which in past years have taken place in the prices realised for Bengal Opium at the Calcutta sales. Sir John Strachey, in his recent work on the Finances of India (Chap. XIV), has shown that the facts of the case do not altogether warrant any such inference. The fluctuations of price in past years were to a great extent due to the fact that great variations took place in the number of chests of Opium offered annually for sale.

“138. Nevertheless, the Opium Revenue is exposed to some dangers of an exceptional nature. Moreover, those dangers are somewhat more prominent at present than they have been in past years.

*Dangers to which it is exposed.*

“139. The policy of the Government for the last two years has been to offer 56,400 chests of Bengal Opium for sale annually. The Opium crop is precarious. To ensure a continuous supply of 56,400 chests a year, it is necessary to maintain a reserve, in order that the surplus of good years may be used to supply the deficiencies in bad years. The average annual production of “provision” Opium,—i.e., Opium for sale by public auction, which is mostly exported to China,\*—for the last twenty years, has been 50,154 chests. The crops of the years 1875-76 and 1876-77 were exceptionally good, producing respectively 68,051 and 67,167 chests of provision

*The crop is precarious.*

\* In addition to the quantity exported, about 4,000 chests of Bengal Opium are consumed in India. This is termed “Abkari” Opium.

Opium. The result was that a strong reserve was constituted. It has, therefore, been possible for the last four years to offer a large number of chests for sale.\* But in order to effect this object, it has been necessary to draw on the reserve, which, in consequence, has been steadily diminishing, as the following figures will show:—

|               | Chests. |  |
|---------------|---------|--|
| * 1878-79 ... | 55,500  |  |
| 1879-80 ...   | 59,100  |  |
| 1880-81 ...   | 56,400  |  |
| 1881-82 ...   | 56,400  |  |
| Average ...   | 56,850  |  |

|                                      | Chests in reserve. |
|--------------------------------------|--------------------|
| 1878 ...                             | 48,482             |
| 1879 ...                             | 31,622             |
| 1880 ...                             | 25,183             |
| 1881 ...                             | 21,752             |
| Estimate for December 31st, 1882 ... | 15,084             |

Depletion of reserve.

"140. This process of depletion cannot continue indefinitely. An exceptionally good crop may, indeed, again replenish the reserve. But we cannot rely on a fortuitous circumstance of this sort. An average crop, or, at all events, a succession of average crops, will oblige us to resort to one of two alternatives. We shall be forced either to increase the production, or to diminish the amount offered for sale.

Difficulty of extending cultivation.

"141. The reports from the local authorities generally point to the conclusion that any considerable extension of cultivation, either in the Behar or the Benares Agency, is not to be anticipated. In order to maintain the existing cultivation it has recently become necessary to raise the price paid to the cultivators for crude Opium from Rs. 4-8 to Rs. 5 a seer. The increased cost of production resulting from this enhancement of price is estimated at £215,000.

Question of enhancement of price discussed.

"142. Whether, in the event of its being necessary to diminish the quantity of Opium offered annually for sale, we may expect to be recouped any loss of Revenue by increased prices, depends largely upon the competition of the Persian and the indigenous Chinese drugs.

Competition of Persian Opium.

"143. The quantity of Opium exported from Persia has increased during the last 10 years from 870 to 7,700 chests. It is believed that the cultivation of the poppy in Persia has not as yet reached its natural limits. The quality of Persian Opium is being gradually improved. Still, the evidence afforded by the Chinese Consular reports tends generally to show that Indian Opium is preferred to Persian by those who can afford to pay for the former of the two drugs. On the whole it may be said that the competition of Persian Opium constitutes a danger to the Indian Revenue, but that the danger is not at present very serious.

“144. Turning to the question of the competition to be apprehended from the indigenous Chinese drug, a careful perusal of the Consular reports enables us to arrive at the following conclusions:—

*Competition of Chinese Opium.*

“ (1) The production of Opium in China has greatly increased of late years and is still increasing. There is no reason to suppose that it has as yet nearly reached its natural limit. Consequent on the increased production and on the greater cheapness of the Chinese drug, there is a danger that amongst the poorer classes of the population, at all events, the Indian drug will be displaced by the Chinese.

“ (2) Up to the present time the Indian drug has been able to hold its own amongst the wealthy classes by reason of its superior quality. The quality of some of the Chinese drugs is improving, but even the best are still inferior to Indian Opium.

“145. To sum up this brief review of the economic aspects of the question, the facts which I have so far elicited,—that is to say, the necessity of raising the price paid for crude Opium, the difficulty of extending the area under cultivation in India, the necessity which may be forced on us of reducing the quantity of Bengal Opium annually offered for sale, and the increase in the production and the improvement in the quality of the Persian and Chinese drugs,—all point to one conclusion, namely, that it is by no means improbable that the Opium Revenue may undergo some diminution. Although the amount of Revenue derived during the last four years has been very large, it would be unwise to count upon its continuance at so high a figure. There has quite recently been a sharp fall in the price realised for Bengal Opium at the Calcutta sales, and the Malwa trade has for some while been very stagnant. To this extent, therefore, the Opium Revenue may be said to be precarious.

*Summary of conclusions on a review of the economic aspects of the question.*

“146. I have so far dealt with questions of fact. I now come to a much more difficult branch of the question. I must now leave the domain of fact and approach that of sentiment and morality, which opens a wide field for difference of opinion.

*Consideration of the question from the moral point of view.*

“147. A great deal has, from time to time, been written as to the effects of Opium, both on the individual and on the Chinese nation. I do not think that anything is to be gained by discussing this subject at any length. That Opium when used in moderation for medicinal purposes is beneficial; that in China it is very often used to excess; that when used to excess its effect is baneful; and that it would be better for the Chinese if they smoked less Opium,—are truisms which may be generally accepted.

*The problem is eminently a practical one.*

"The common-places on the subject may, to some extent at all events, be admitted by all parties. Even if it be conceded to the Anti-Opium Society that the effects of the drug are to the full as baneful as they allege, we should, whether from the Chinese or the Indian point of view, be no nearer than at present to the solution of the problem which we have in hand. It is useless to discuss what ideal condition of things would commend itself either to Chinese or to Indian statesmen. The problem we have to treat is eminently a practical one.

*Direct connection  
of Government  
with the trade.*

"148. I pass on, therefore, to the consideration of the two points as to which the position of the Government of India has been especially attacked.

"149. The first of these is the direct connection with the trade. It may be readily admitted that the Government of India being, as regards Bengal, manufacturers and dealers in the drug, are placed in a somewhat invidious and false position. But when we are invited to discontinue the present connection with the trade, we naturally ask, what is the precise nature of the alternative policy which is to be adopted? Does that policy merely involve the cessation of the connection between the Government of India and the Opium trade in Bengal? Or does it aim at a total suppression of the Opium trade between India and China? I think it may be inferred that the direct connection is merely regarded as a specially objectionable incident, and that the ultimate aim of the policy advocated by those who are opposed to the existing system under which the Revenue is raised in Bengal, is to prohibit the trade altogether.

*A consistent Anti-  
Opium policy must  
aim at a total  
suppression of the  
trade.*

"150. In point of fact, in order to be consistent, those who object to the existing order of things in respect to Opium must of necessity go further than merely condemning the direct connection between Government and the trade. The avowed object of their policy is to stop the alleged demoralisation consequent on the extensive use of Opium in China. No one can for one moment pretend that the mere cessation of the direct connection between the Indian Government and the manufacture of Opium would of itself in any way tend to bring about this result.

*Economic objections  
to the present  
system.*

"151. The economic objections to the manner in which the Opium Revenue is raised, whether in Bengal or Bombay, may be admitted to be considerable. In the former case the Government itself engages in private trade,—a course which is open to obvious objections. In the second case, a very heavy export duty is imposed. In both cases the course adopted interferes with and restricts the free production of and trade in Opium. It cannot be doubted that it would be profitable to any private trader to pay for crude Opium a much higher sum

than is now paid by the Government to the cultivators of Bengal. If, therefore,—supposing such a thing to be possible,—no restriction were placed upon the cultivation of the poppy, and if at the same time the export duty were taken off, it is certain that an immense stimulus would be given to the production of Opium, and that China would be flooded with the Indian drug. Thus, in direct proportion to the removal of the economic objections, the moral objections would be intensified in degree. So long, therefore, as the plea of the Anti-Opium Society is confined to the contention that the Indian Government should cease its direct connection with the Opium trade, it may be said, with perfect truth, that their policy is based purely on theory. Not only can it effect no practical good, but it almost certainly would do a great deal of harm. It would increase the consumption of Opium in China. It would, by cheapening the price of the Indian drug, cause the poorer classes of Chinamen, who now smoke native Opium, to substitute Indian Opium in its place. It would, moreover, encourage the use of Opium amongst the native population of India, some of whom, notably the Sikhs, are already addicted to the practice; and it would result in a diminution of the food-supply of India by reason of the cultivation of the poppy over tracts where cereals are now grown. If, therefore, the policy is to be not merely theoretical, but is to be productive of some practical good, it must aim, not only at the disconnection of the Indian Government with the manufacture and sale of Opium, but at the total suppression of the cultivation of the poppy. I shall presently (paras. 174—179) revert more particularly to the financial aspects of this question.

“152. As to whether it be more immoral for the Government to be directly connected with the manufacture and sale of Opium, than merely to derive a Revenue from the manufacture and sale of the drug by others, that is a point on which, without doubt, much difference of opinion may exist. I do not think that any useful object would be gained by a discussion of this point, or of the cognate question of whether, in Mr. Fawcett’s words, there is “much difference between raising Revenue from Opium and raising 26 millions as we did in this country (England) to a great extent out of the intemperance, improvidence, and vice of the people.”

*Morality of the  
direct connection.*

“153. I turn to the second point, in respect to which the position of the Government of India has been especially attacked—namely, the policy pursued towards the Chinese Government in relation to the Opium trade.

*Relations with  
China.*

“154. It has been stated that the treaty under which Opium is admitted into China was extorted from the Chinese Government; that the Chinese Government is now forced to admit Opium; and that it is both able and willing to

put a stop to the consumption of Opium in China, if the foreign import trade were stopped.

*Erroneous statements on this subject.*

"155. These are grave accusations. I think, however, that I can show that it is wholly incorrect to say that the article in the Treaty of Tientsin, which provided for the admission of Opium, was extorted from the Chinese Government; that Indian Opium is in no way forced upon China, but that on the contrary, the Chinese Government derives a large Revenue from the import trade, which it is very unwilling to sacrifice; that the statement that the Chinese Government is willing to put down the use of Opium must be received with great qualifications; and that irresistible evidence is forthcoming to show that it is not able to stop it, even if its willingness to do so be freely admitted.

*The Chinese were not forced to admit Opium when the Treaty of Tientsin was signed.*

"156. I need not go into the history of the various wars which have from time to time been waged with China, or examine whether the policy of those wars was justifiable or the reverse. It may be very true that the Chinese were with difficulty got to assent to the terms of the Treaty of Tientsin. There is nothing very remarkable in the fact that at the close of a war the vanquished party should accept, with great reluctance, the terms on which the victors insist. But as regards the particular point which we are now discussing, namely, the admission of Opium into China, we have excellent evidence to show that it is wholly incorrect to say that this provision of the Treaty was extorted from the Chinese. Mr. Lay, who was Chinese Secretary to Lord Elgin's Mission, and who personally conducted the Tariff negotiations, has specifically stated that "the Chinese Government admitted Opium as a legal article of import, not under constraint, but of their own free will deliberately." Mr. Laurence Oliphant, who was Secretary to the Mission, has confirmed Mr. Lay's statement, and has added that he informed the Chinese Commissioner that he had "received instructions from Lord Elgin not to insist on the insertion of the drug in the Tariff, should the Chinese Government wish to omit it. This he (the Chinese Commissioner) declined to do. I then proposed that the duty should be increased beyond the figure suggested in the Tariff; but to this he objected, on the ground that it would increase the inducements to smuggling." Mr. Lay's and Mr. Oliphant's statements appeared in the *Times* of October 22nd and October 25th, 1880. Their evidence, I venture to think, is a conclusive answer to the charge that the clause of the Tientsin Treaty, under which Opium is admitted into China, was extorted from the Chinese.

*Neither are they forced to admit it now.*

"157. No less conclusive is the evidence that the foreign drug is not now forced on the Chinese Government, but that, on the contrary, it would view

with dislike the cessation of a trade from which it derives a large Revenue. The account which Sir Thomas Wade gives of a conversation he recently held with the Chinese Ministers affords remarkable testimony on this point. In a telegram to Lord Granville of February 7th, 1881, he says: "I went to the Yamèn on the 16th to speak of various matters. Four Ministers received me. Adverting to Opium, I observed that the authorities in some places were taxing Opium, native and foreign; in others, were trying to increase the sale and consumption of both. Without at all denying the right of the Chinese Government to do as it chose, I should wish to know which course the Government approved. They said the question was embarrassing. The Chinese Government would be glad to stop opium-smoking altogether, but the habit was too confirmed to be stopped by official intervention. No idea of abolishing the trade at present was in the mind of the Government. Alluding to the desire of well-disposed people at home to see England withdraw from the trade, I asked if it would be of any use to diminish yearly the exports from India. The Indian Government might be thus enabled to provide otherwise for loss of income. They said, so long as the habit exists, Opium will be procured, either from India or elsewhere. Any serious attempt to check the evil must originate with the people themselves. The measure I suggest would affect Chinese Revenue, but would not reach the root of the mischief."

"158. I turn now to the question of whether the Chinese Government is both able and willing to stop the use of Opium.

*The Chinese Government is unable to stop the use of Opium.*

"159. Numerous edicts, couched in the most peremptory terms, have been from time to time issued to prohibit the use of Opium and the cultivation of the poppy. In issuing these decrees, the Chinese Government may be credited with a certain amount of sincerity. Without doubt, the Emperor of China, his Ministers, and the most enlightened portion of the population of China, deplore the extensive use of Opium. If they could afford the loss of Imperial Revenue consequent on the importation of foreign Opium,—if they could exercise any real control over the numberless corrupt officials who earn a livelihood from the use of the native drug,—if they thought it were possible to deal with a great social evil of this sort by legislation, and to coerce a large part of the population of a vast empire into a groove contrary to their inveterate habits and the current of their every-day life,—it is not improbable that they would gladly see the use of Opium abandoned. But, whatever be the views which the Chinese Ministers entertain on this question in the abstract, nothing is more certain than that they, equally with the Indian Government, would be embarrassed by the loss of

Revenue which would be caused either by a cessation of the foreign trade in Opium, or by the suppression of the manufacture and sale of the drug in China; that, save on rare occasions, when some specially energetic official may have produced a temporary effect, they have up to the present time never earnestly endeavoured to check the use of the drug; and that they recognise, both by word and deed, their complete inability to do so. A mass of evidence from the Consular reports might be adduced in support of these conclusions.

*Practicability of closing the direct connection with the trade.*

“160. I now proceed to deal with the final branch of the subject, namely, the practicability of adopting any measures which shall render the connection of the Government of India with the Opium trade in Bengal less direct.

*Opinions on the occasion of the former discussions.*

“161. This subject has been already frequently under the consideration of the Government of India. It was fully discussed in 1858, and again in 1864, when Sir Charles Trevelyan recorded his opinion in favor of a change of system. “The Opium monopoly,” he said, “forms no exception to the general category of Government monopolies. It will be found, when the trial is made, that its abolition will be attended with the same good effects as the throwing open of the India and China trade and the abolition of the Bengal salt monopoly.” In other words, Sir Charles Trevelyan looked at the question from a purely economic point of view. He did not in any way contemplate interfering with the cultivation of the poppy. On the contrary the object of his policy was evidently to extend it. It was again considered in 1868, at the instance of Sir William Muir. On the occasion of each discussion the balance of opinion was strongly in favour of the continuance of the monopoly system.

*Double as to true nature of policy proposed.*

“162. In attempting to deal with this question, we are at the outset met by the difficulty to which I have already alluded. Is the final object of the policy, which we occasionally are invited to adopt, to be the severance of the direct connection between the Government of India and the Opium trade, and the substitution of private enterprise in the place of the Government monopoly? Or are we to aim at the total suppression of the cultivation of the poppy and of the Opium trade, in so far, at all events, as British India is concerned? It is absolutely necessary to have a clear idea as to which of these two alternative policies is to guide the action of Government. It is difficult, if not impossible, to effect any compromise between them.

*Discussion of the question on the assumption that the aim of the policy is total suppression in British India.*

“163. For the reasons which I have already given, I think it may be assumed that the ultimate aim of a consistent Anti-Opium policy must be to suppress the manufacture and sale of Opium altogether, or, at all events, to limit it to the Native States of India. I proceed, therefore, in the first instance, to discuss the



question of abolishing the monopoly on the hypothesis that we are to aim at a total suppression of the trade in so far as Bengal is concerned.

“164. It has been alleged that the careful development of the resources of India, combined with economy in expenditure, would provide for any gradual loss of money which the abandonment of the Opium Revenue in Bengal might entail.

“165. The average net Revenue derived from the sale of Bengal Opium during the last ten years is £4,358,000. During the last three years the average Revenue has been £5,450,000. In dealing with a fluctuating Revenue of this sort it is difficult to speak with great accuracy, but I shall perhaps be not very far from the mark if I assume that the total abandonment of the Revenue derived from Opium in Bengal would cost about £5,000,000.<sup>1</sup>

*Bengal net Revenue.*

“166. This, however, does not represent the whole of the case. On the one hand the cessation of the poppy cultivation in Bengal would probably give a stimulus to the Malwa trade. Malwa Opium, I need hardly say, is manufactured wholly in the Native States of India. We cannot interfere with the growth of the poppy in those States, neither could we prevent Opium being exported from them without maintaining a costly preventive line, the establishment of which would be open to great and obvious objections. It is quite impossible to frame any estimate of the degree to which we should recoup any loss of Revenue by increased receipts on account of export duty; but it may be predicted with certainty that the total loss would not nearly be recouped.

*Stimulus to Malwa trade.*

“167. On the other hand, whilst the operation of the causes which would tend to mitigate the loss of Revenue are uncertain, the same cannot be said of those which would tend in an opposite direction.

“168. In the first place, the diminution of the export trade from India to China would aggravate the exchange difficulty. It is almost needless to observe that one of the elements which regulates exchange between England and India is the balance of trade between the two countries. The China trade, however, exercises a very important influence on exchange. England owes China a large

*Aggravation of Exchange difficulty.*

<sup>1</sup> I ought to explain that the receipts under the head of *Opium* include (1) the money realised at the Calcutta sales; (2) the receipts from the Malwa pass duty; (3) that part of the sale proceeds of Opium, sold in the Excise Department, which is taken as representing cost price. About one-third of the sale proceeds are credited under *Opium*, and about two-thirds under *Excise*. The average net Provincial receipts for the last ten years on account of the sale of Bengal Opium, which have appeared under *Excise*, amount to £381,000. It is impossible to say how far these receipts would be affected if the monopoly were abolished. Probably Malwa would, to a certain extent, take the place of the Bengal drug; but if this were the case, the Imperial Government would lose the amount of the pass-duty upon the number of chests consumed locally. All that can be said on this subject is that some loss would certainly be incurred, both by the Imperial and Provincial Governments, over and above the £5,000,000 mentioned above.

sum of money annually, which represents the excess of imports from China over exports from the United Kingdom. China, on the other hand, owes India

a large sum annually, mainly for Opium.\*

\* In the last year (1880-81), for which the returns are complete, the balance of trade in favor of India was £11,282,555.

This debt is, in a great measure, paid by transferring to India a portion of England's debt to China. If, therefore, the export trade from India to China were diminished by, say, £4,000,000 a year,<sup>1</sup> it is clear that a very depreciatory influence would be exercised on exchange between India and England. It is impossible to estimate the loss which would thereby be caused to the Indian Treasury, but it cannot be doubted that it would be considerable.

*Necessity of providing for present staff.*

"169. In the second place, provision would have to be made for the present staff employed under the Bengal monopoly system, either by pensions, gratuities, or the bestowal of other places under Government. This would probably result in a heavy charge being thrown on the Government for some years.

"170. For the sake of argument, however, I leave out of account these important but uncertain factors. I assume that the loss to the Indian Government would, as stated above, be £5,000,000.

*The total loss of Revenue in Bengal could not be recouped.*

"171. It cannot be too clearly understood that neither by any means tending to develop the resources of the country, nor by any increase of taxation which is practically within the range of possibility, nor by any reduction of expenditure, could the Government of India in any adequate way at present hope to recoup the loss which would accrue from the suppression of the poppy cultivation in Bengal.

*The sacrifice of the Bengal Opium Revenue would render India insolvent.*

"172. As regards the development of which the resources of the country are capable, it is to be observed that a great deal has been done in the last thirty years. Yet it may safely be stated that those resources are as yet only half developed. Hopes are now entertained that a stimulus may be given to the rapid construction of railways through the agency of private enterprise; but it is evident that, however successful this policy may eventually prove to be, some years must elapse before its full effect can be produced. Again, it is a notorious fact that any aggregate increase of taxation is open to the strongest economical and political objections; whilst, in respect to some branches of the fiscal system, a reduction of taxation is very necessary. As regards any economy which may be effected in expenditure, it is to be observed, in respect to the civil branches of the service, that, even if the most radical reforms which have from time to

<sup>1</sup> This is allowing £1,000,000, by comparison with the estimate of £5,000,000, for increase in the Malwa trade.

time been suggested, were carried into effect, any economies in this direction could bear but a slight proportion to the Revenue which would have to be abandoned if the poppy cultivation in Bengal were altogether suppressed, whilst, on the other hand, it is certain that, as civilisation advances, new wants will be developed, which will involve an increase of civil expenditure. As regards military expenditure, proposals have already been made to the Secretary of State which, if they receive the sanction of Her Majesty's Government, will result in considerable economy. No economies in the military branches of the service could, however, be effected, which would in any adequate manner balance the total loss of the Bengal Opium Revenue, without incurring political dangers of the most serious description. It is the duty of the Government of India to speak very plainly on this subject. The difficulties of this problem have to be fairly faced. The hard facts of the case, whether from the Chinese or the Indian point of view, have to be borne in mind. Those facts can neither be altered, nor can their significance be attenuated, by any enunciation of abstract principles. It is, therefore, essential that all who are interested in the question should have clearly before their eyes the opinion of those who for the time being are responsible for the conduct of the Indian finances. That opinion, as I venture to formulate it, is that the Government of India is at present quite unable to devise any means by which the loss of Revenue consequent on the suppression of the poppy cultivation in Bengal could be recouped, and that, until such means be devised, the loss of the Bengal Opium Revenue would result in the normal annual expenditure of the Government being greater than its receipts; that is to say, that India would be insolvent. I wish to state this in language which admits of no misapprehension, in order that those who may have to deal with this matter should do so with a perfect knowledge of the facts of the case, and after due warning that any present attempt to abandon the Opium Revenue, whilst conferring a very doubtful benefit on the population of China, would do incalculable harm to the 250 millions of people over whom we rule in India.

“ 173. From the language which is occasionally used on this subject in England, I am led to infer that many influential persons, animated by a laudable zeal to benefit the population of China, are perhaps somewhat forgetful of the duty we owe to the population of India. It has been calculated that the average income per head of population in India is not more than Rs. 27 a year; and, although I am not prepared to pledge myself to the absolute accuracy of a calculation of this sort, it is sufficiently accurate to justify the conclusion that

*And unjust to the  
people of India.*

the tax-paying community is exceedingly poor. To derive any very large increase of Revenue from so poor a population as this is obviously impossible, and if it were possible, would be unjustifiable. Apart from the practical issues involved, there are, indeed, two aspects of the question from the point of view of public morality. If, on the one hand, it be urged that it is immoral to obtain a Revenue from the use of Opium amongst a section of the Chinese community, on the other hand it may be replied that to tax the poorest classes in India in order to benefit China, would be a cruel injustice, and it is to be remembered that no large increase of Revenue in India is possible unless by means of a tax which will affect those classes. To tax India in order to provide a cure,—which would almost certainly be ineffectual,—to the vices of the Chinese, would be wholly unjustifiable.

*Probable loss involved in substituting private enterprise for the present Government monopoly.*

“174. I turn now to the consideration of the question on the supposition that the ultimate aim of the policy is not the total suppression of the poppy cultivation in Bengal, but merely the severance of the direct connection between the Government and the Opium trade, and the substitution of private enterprise for the Government monopoly.

“175. The actual cost of a chest of Bengal Opium, including interest on the capital employed and all indirect charges, is Rs. 421.<sup>1</sup> The average price realised at the Calcutta sales for the last ten years is Rs. 1,280 per chest. The average profit, therefore, realised on a chest of Bengal Opium may be taken at Rs. 859.

*Rate of export duty.*

“176. The next point to be decided is the export duty which a chest of Bengal Opium would stand in the event of this method of deriving Revenue being substituted for the Government monopoly. It is certain that, in order to arrive at a correct conclusion on this point, we must leave a large margin of profit to the exporter. The trade would be very speculative. The risks being great, no one would embark in the trade unless a large margin of profit were left. Moreover, it is probable that a private individual would have both to give more liberal advances to the cultivators, and to pay a higher price for crude Opium, than is paid by Government. The local officers, who have from time to time been consulted, are unanimous in thinking that the security afforded by dealing with Government is an important element in deciding the cultivators to grow the poppy.

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<sup>1</sup> I take the average cost of production of Behar and Benares Opium.

No private individuals could offer so good a security. Again, it is quite impossible to foresee the consequences

\* The export duty on Malwa Opium is at present Rs. 700 a chest; but it is to be borne in mind that, although the weight of a chest of Malwa and of a chest of Bengal Opium is equal, namely, 140 lbs avoirdupois, or a Chinese *picul* (133½ lbs.) plus 5 per cent., which is appropriated by the middlemen in the trades as perquisites, the consistence of the different classes of Opium is different. Malwa Opium contains generally from 90 to 95 per cent. of fine Opium; that is to say, that at the lower of these two consistences, it contains 126·128 lbs. avoirdupois of pure Opium. A chest of Behar Opium is of 75° consistence; that is to say, it contains 105·107 lbs. of pure Opium. A chest of Benares Opium is of 70° consistence; that is to say, it contains 98·1 lbs. of pure Opium. A duty, therefore, of Rs. 700 on Malwa Opium is analogous to a duty of Rs. 683 a chest on Behar Opium, or of Rs. 644 a chest on Benares Opium.

on the China market of the withdrawal of the Government from the trade. Bengal Opium holds its own by reason of its high quality. The Government mark is regarded as a sufficient proof of the purity of the drug. It is almost certain, therefore, that if the manufacture were in the hands of private individuals, the price of Bengal Opium in China would fall.

Under these circumstances, I think it is taking an optimist view to suppose that Bengal Opium would stand an export duty of Rs. 600 a chest.\*

"177. The average number of chests of Bengal Opium sold in the last ten years (1871-72 to 1880-81) was 49,337. It is very difficult to say what number of chests would be exported if the Government abandoned the monopoly. On the whole, however, I do not think that with a duty of Rs. 600 we ought to reckon on an export of more than 45,000 chests a year. I put forward this estimate under great reserve, for, in dealing with a subject of this sort, any estimate that can be framed must be little more than a conjecture. A duty of Rs. 600 on 45,000 chests would give £2,700,000 a year. The net Revenue derived from Bengal Opium may be taken at about £5,000,000. This figure, however, includes the receipts from the Excise Department on account of Abkari Opium.

*Loss roughly estimated at £2,128,000.*

† As the Abkari Opium is sold at cost price to the Excise Department, these £172,000 may be entirely left out of the calculation. On the one hand, the Imperial Government would not have to spend this sum of money: on the other hand, it would not receive it. It is, however, to be borne in mind that in addition to the loss of £2,128,000 to the Imperial Government, the Provincial Governments would certainly lose some portion of their Excise Revenue (average £381,000) by the abolition of the monopoly.

The average receipts on this account for the last ten years amount to £172,000. The receipts from the Calcutta sales may, therefore, be taken at £5,000,000—£172,000† = £4,828,000. The difference between this figure and £2,700,000, viz.,

£2,128,000, represents the probable loss which would be incurred from the abolition of the Government monopoly.

"178. This calculation, however, does not represent the whole of the case. It is certain that, if the change of system under discussion were carried into effect, a large preventive establishment would have to be maintained, and that, even with such an establishment, it would be well nigh impossible to prevent smuggling.

*Maintenance of a Preventive Establishment.*

*Withdrawal from monopoly would stimulate consumption in China.*

“179. These considerations lead irresistibly to the conclusion that there is only one way by which the system of levying an export duty might possibly be substituted for the Government monopoly without a financial loss which it would be impossible for the Government of India to afford. As the profit to be derived on each chest of Opium would be considerably diminished, it would be necessary, in order to recoup the loss, that the number of chests produced should be largely increased; and without doubt, if the export duty were very low, production would considerably increase. In other words, the Government of India, by withdrawing from the trade, would probably intensify the evils which the Society for the Suppression of the Opium Trade so much deplore. The Chinese market would be glutted with Indian Opium at a relatively cheap price.

“180. I venture to think that this is a conclusive argument against any change of system. We are in this dilemma, that if the average production of Opium fell off, a loss of Revenue would be involved, which it is out of the question that the Government should incur; and, on the other hand, if the hazardous experiment which we are invited to try should succeed, the results would be, not only to increase the amount of opium-smoking amongst the Chinese, but to run a great risk that its use in India would be much extended.

*The Government is opposed to withdrawal.*

“181. For these reasons the Government of India deprecates any attempt to withdraw from the monopoly. The system at present works well. It cannot be too clearly understood that any change whatsoever would involve a great risk to the Indian Revenue, whilst it would almost certainly not contribute to the objects which the Society for the Suppression of the Opium Trade have in view. In fact, the greater the degree of success which attends the experiment, the less will the objects which the Society have in view be attained.

*It is just possible that at some future time the Government may be able to deal with the question.*

“182. Although, however, the actual financial situation of India precludes for the present any attempt to tamper with the Opium Revenue, it does not necessarily follow that this state of things should always prevail. Reform in other branches of the fiscal system must for the present engage the attention of the Government. Again, money must be found in one form or another to push on that development of the country which a leading member of the Anti-Opium Society has himself recognised must be a preliminary to any reform in the system under which the Opium Revenue is collected. Without taking too optimistic a view of the future, we may be permitted to hope that fiscal reform, accompanied by as rapid an extension of railways and canals as the financial exigencies of the situation will permit, may possibly bring within the scope of practical politics plans which cannot now be considered as otherwise than visionary. If we are ever to

abandon the Revenue now derived from the poppy cultivation in Bengal, by far the wisest plan will be to maintain the monopoly in the hands of the Government. From the administrative point of view the suppression of the cultivation in Bengal presents but few difficulties. We have only to diminish the price paid for crude Opium, and the cultivators would substitute other crops in the place of the poppy. If, however, private enterprise be allowed to occupy the field, vested interests will be created, and the difficulties of ultimately dealing with the question will almost certainly be enhanced. In the meanwhile the best hope of ever carrying out the policy, which commends itself to the Society for the Suppression of the Opium Trade, will be to derive for the present as large a Revenue as possible from Opium and to utilise it to the best advantage. It is just within the range of possibility that if this policy be adopted, it may ultimately place the Government of India in such a situation as would enable it to suppress the cultivation of the poppy in Bengal altogether, should it be thought desirable to do so.

“183. One further point demands attention. It cannot be doubted that Native opinion in India would strongly resent any additional burdens being placed upon the tax-payers with a view to the abandonment, either whole or partial, of the Opium Revenue. It is, moreover, more than probable that the views of the British Government on this subject would be misunderstood. “There must,” a Native newspaper said a short time ago, “be some selfish motive at the bottom of the movement made in England for the suppression of the Indian Opium trade.” No doubt an opinion of this sort is very foolish. The high motives which guide the action of the Society for the Suppression of the Opium Trade cannot for a moment be doubted. However much we may consider that the views they express do not take sufficient account,—whether from the Chinese or Indian point of view,—of the practical difficulties connected with the problem they have set themselves to solve, no reasonable person can fail to respect their motives. I trust that I have said nothing which can in any way be construed in an opposite sense. Without doubt the gentlemen who take an active part in the agitation against the Opium trade would be the first to protest if they thought the Indian ryots were suffering from any grievous injustice. But, on the other hand, it cannot be doubted that the opinions foreshadowed in the Native print from which I have quoted above are prevalent in India; that they would find louder and more frequent expression if it became generally understood that there was any serious intention of moving in the direction proposed by the Anti-Opium Society; that, even supposing England were to award a considerable compensation to India, it is exceedingly improbable that such compensation would

*Native opinion on  
the subject.*

adequately meet the loss involved in the abandonment of the Opium Revenue; and that, in consequence, a sense of injustice would be engendered amongst the Natives of this country, who would consider either that their interests had been sacrificed from selfish motives, or, at all events, that, in our regard for the Chinese, we had done an injustice to our own subjects. The fact that the measure would contribute to alienate from us the feelings of the Natives of India, is certainly an element which ought not be neglected in dealing with this question.

“ 184. I now proceed to deal with the question of the degree of reliance which should be placed on Opium in balancing our Estimates of Revenue and Expenditure.

The Opium Estimate.

“ 185. The Opium Revenue was this year estimated at £6,500,000 net. In comparing this estimate with the actual net Revenue of past years, a great deal depends on the number of years for which an average is taken. The average net Revenue for the last ten years (1871-72 to 1880-81) is £7,052,000; for the last five years £7,441,000; for the last four years £7,731,000; for the last three years, £8,135,000; and for the last two years, £8,351,000. The Revenue has been rising during the last four years. The result is that the further we go back the lower the average becomes. But whatever standard of comparison be adopted, there can be no question that at present £6,500,000 net is an under-estimate.

“ 186. This estimate has during the course of the year formed the subject of a good deal of discussion and criticism. The matter has been carefully reconsidered by the Government, and I am now in a position to announce the result of our deliberations.

Under-estimate of Opium in former years.

“ 187. In dealing with other items of Revenue and Expenditure, the Budget Estimate for the coming year is usually based on the Regular Estimate of the year about to close, due allowance being, of course, made for any exceptional circumstances which may have occurred in the current year, or which may be expected to occur in the coming year. The Opium estimate has, however, received exceptional treatment. A much wider margin has been left for a possible diminution in receipts than would be considered necessary in dealing with other branches of the Revenue. It is generally recognised that some extra amount of caution should be adopted in framing this estimate, but it has been urged that, under present circumstances, an estimate of £6,500,000 errs on the side of excessive caution, and that this sum is far less than we may expect to receive after all reasonable deductions have been made from the actuals of the last few years.



"188. Whether, however, we take the Opium estimate at £6,500,000 and reduce our nominal surplus by the amount of Revenue which we really expect to derive, or whether we take an Opium estimate of any other higher figure; say £8,000,000, and increase our nominal surplus by £1,500,000, is, relatively speaking, a matter of secondary importance. The really important issue involved is to what extent we may take off taxes or incur additional expenditure in reliance upon Opium.

*Is it safe to take off taxes in reliance on Opium?*

"189. Before proceeding to answer this question, I invite attention to the figures given in the following table:—

*Average receipts since 1871-72.*

| YEAR.                      | BENGAL.                |                  |              | BOMBAY.      | Total Net Revenue. |
|----------------------------|------------------------|------------------|--------------|--------------|--------------------|
|                            | Number of chests sold. | Price per chest. | Net Revenue. | Net Revenue. |                    |
|                            |                        | Rs.              | £            | £            | £                  |
| 1871-72 ... ..             | 40,695                 | 1,388            | 5,305,402    | 2,351,811    | 7,657,213          |
| 1872-73 ... ..             | 42,675                 | 1,386            | 4,259,162    | 2,611,261    | 6,870,423          |
| 1873-74 ... ..             | 42,750                 | 1,266            | 3,684,758    | 2,738,841    | 6,323,599          |
| 1874-75 ... ..             | 45,000                 | 1,207            | 3,264,266    | 2,950,817    | 6,215,083          |
| 1875-76 ... ..             | 45,510                 | 1,260            | 3,707,170    | 2,545,690    | 6,252,860          |
| 1876-77 ... ..             | 47,240                 | 1,270            | 3,334,338    | 2,946,475    | 6,280,813          |
| 1877-78 ... ..             | 49,500                 | 1,266            | 3,773,764    | 2,747,692    | 6,521,456          |
| 1878-79 ... ..             | 55,506                 | 1,225            | 5,319,459    | 2,391,212    | 7,710,671          |
| 1879-80 ... ..             | 59,100                 | 1,170            | 5,112,325    | 3,139,345    | 8,251,670          |
| 1880-81 ... ..             | 56,400                 | 1,362            | 5,926,836    | 2,524,458    | 8,451,294          |
| 1881-82 (Regular Estimate) | 56,400                 | 1,324            | 5,621,500    | 2,216,500    | 7,838,000          |

"190. It will be observed that the increased receipts of the last few years (except in 1879-80) have been mainly derived from the Bengal sales, and not from the pass-duty on Malwa Opium. The receipts on account of Malwa Opium have varied according to no very precise law. The high receipts (£3,139,345) for 1879-80 were, it is believed, largely due to over-speculation. Turning to Bengal Opium, it will be noticed that the great increase in the receipts has taken place during the last four years, and that this increase has been contemporaneous with the period during which a relatively large number of chests has been offered for sale.

*Increased receipts due to Bengal sales.*

"191. We know, from the present state of the reserve (*vide ante*, para. 139), that we shall be able to offer 56,400 chests for sale during the whole of the financial year 1882-83. But we cannot speak with any confidence as to our ability to continue the sale of 56,400 chests annually after the close of the year 1882-83. When the yield of the poppy crop now in the ground is known, the desirability of giving the year's notice required by custom of a diminution

*Future prospects.*

in the number of chests of Bengal Opium to be offered for sale in 1883-84, will be matter for consideration. The position of affairs, therefore, is as follows. The net receipts from Opium for the year 1881-82 are now estimated at £7,838,000, being £613,000 less than the actuals of 1880-81. This considerable difference shows the necessity for caution. Further, we must look forward to the possibility of a diminution of the Revenue during the year 1883-84, by reason of a smaller number of chests than heretofore being offered for sale.

“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.

“193. It has been decided, therefore, to estimate the net Opium Revenue in 1882-83 at £7,250,000 and simultaneously to afford some substantial relief to the tax-payers in the shape of a reduction of the Salt Duty. This estimate leaves a margin of £588,000 as compared with the Regular Estimate for the current year, and is £1,201,000 below the actual receipts of 1880-81. Bengal prices, as I have already remarked, are falling, and the Malwa trade is unusually depressed. Under these circumstances it would not be prudent to take a higher estimate than that which is now proposed.

### “ X.—The Salt Duty.

#### The Salt Duty.

“194. If the policy which has been pursued by successive Governments of India for the last 12 years in respect to Salt be considered as a whole, it cannot be doubted that that policy has been eminently successful. The duty has in the aggregate been considerably reduced, yet the net Salt Revenue, which in 1868-69 stood at £5,176,000, stands, according to the Regular Estimate of the current year, at £6,809,000.<sup>1</sup> In Sir John Strachey's words, it has been “found “financially more profitable to levy the Salt Duty at a moderate rate on a “maximum consumption, than at a high rate on a restricted consumption.”

*General success of  
past policy.*

<sup>1</sup> See Statement X. This figure is what the Regular Estimate would be, supposing no change to be made in the rate of duty.

"195. There have, indeed, been some disadvantages to counterbalance the advantages which the policy has bestowed on the country in general. Whilst the inhabitants of Bengal and Northern India have been relieved of taxation, those of Madras, Bombay, and the Native States of Rajputana and Central India have been obliged to pay a higher price for their salt. The number of persons who have been relieved of taxation has, however, been numerically larger than the number on whom additional taxation has been imposed.

"196. The actual situation is as follows. A duty of Rs. 2-8 is levied all over British India, except on salt imported by sea into, or manufactured in, Bengal and on salt consumed in the trans-Indus districts of the Punjab and in Burma. In Bengal the tax is Rs. 2-14 a maund. In the trans-Indus districts of the Punjab, salt is consumed which is produced at the Kohat mines, and on which a duty varying from 2½ to 4 annas a maund is levied. A preventive line extends for some 320 miles along the Indus. In Burma the duty is only 3 annas a maund.

"197. The advantages to be gained by a reduction of the Salt Duty are twofold. In the first place, it is exceedingly desirable to reduce the price of a necessary of life which is used by the poorest classes. In the second place, the general financial situation will, as I shall presently show (para. 201), be much strengthened.

"198. We propose, therefore, to reduce the Salt Duty to Rs. 2 a maund every where except in Burma and the Trans-Indus Districts of the Punjab. The differential duty of 6 annas now levied in Bengal will thus disappear. It is not proposed to make any change in Burma, or, for the present, in the trans-Indus districts of the Punjab.

"199. The extent to which the reduction of duty will stimulate consumption remains to be considered. The annual average licit consumption in the principal provinces of India per head of population according to the new census, is stated in the margin. The differences are remarkable, but they must be viewed with modifications due to a variety of circumstances.

| Provinces.                          | lbs. |
|-------------------------------------|------|
| Madras ... ..                       | 12   |
| Bombay ... ..                       | 10   |
| Bengal ... ..                       | 9·1  |
| Punjab ... ..                       | 7·5  |
| North-Western Provinces and Oudh... | 6    |
| Sind ... ..                         | 5    |

It is especially to be borne in mind that the people of Northern India, both by reason of the climatic influences to which they are exposed, and to the fact that their staple food consists of wheat and pulses, require less salt than those of Southern India. At the same time, the reports of the political officers in Rajputana go to show that the inhabitants of the Native States, in which the

Salt Duty was recently enhanced, have greatly diminished the consumption both of themselves and of their cattle. I do not conceive that, in respect to this particular question, the inhabitants of Rajputana differ materially from those of the North-Western Provinces, Oudh, and the Punjab. I am, therefore, led to infer that if the rate of duty were lowered, the consumption of salt in Northern India might be considerably increased. Further, the consumption in Madras has not for the last 12 years reached the figure of 6,693,000 maunds at which it stood in 1868-69 when the duty was raised from Rs. 1-8 to Rs. 1-13 a maund. It is almost certain, therefore, that consumption will be increased by so large a reduction as 30 per cent. in Bengal and 20 per cent. elsewhere. In matters of this sort the wisest policy is generally to act with boldness. A slight reduction in the duty would very probably not reach the consumer.

*Salt Estimate for  
1882-83.*

“ 200. We have no reliable data on which to make any very precise estimate of the increase of consumption which may be anticipated. So many disturbing causes have been at work in the last few years, during which the main changes have taken place, as to invalidate the accuracy of any calculations based on the figures which are available. For instance, in Madras the falling off in consumption from 6,215,000 maunds in 1877-78 to 5,988,000 maunds in 1878-79, must have been due not only to the enhancement of price, but also to the loss of life during the famine, which was estimated by the Famine Commissioners at 5 per cent. of the total population. Again, it is difficult to say to what extent the rise in the Salt Revenue of Northern India is due to increased consumption in British territory alone, and to what extent it represents the consumption of salt in the Native States since the abolition of the Customs Line. Further, sufficient time has not yet elapsed to enable a fair estimate to be formed of the normal consumption in the Native States. The old stocks, which remained on hand when the Customs Line was abolished, have scarcely yet been exhausted. On the whole, however, after a careful examination of the detail, I think that we may safely take the Net Revenue for 1882-83 at £5,410,000, being about £1,400,000 below the Regular Estimate for 1881-82 (£6,809,000).<sup>1</sup>

*Increase of strength  
to the general  
financial position.*

“ 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

<sup>1</sup> See Statement X. This is what the figure of the Regular Estimate would be supposing no reduction to be made in the duty.

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.

“202. The method adopted for calculating the selling price of salt, exclusive of the duty, has recently been under the consideration of the Government. *Method of calculating sale price of Government salt.* The general principle which should guide the action of Government in this matter is plain enough. Government salt should be sold at a price which covers the cost of production. If all the legitimate charges consequent on production and manufacture are not included, the State loses money and the private manufacturer of salt is placed at a disadvantage. If, on the other hand, a sum in excess of the legitimate charges is included in the calculation, the consumer really pays a higher price for his salt than is contemplated by the Legislature. This subject was fully discussed in a recent Government Resolution (see *Gazette of India* of January 21st, 1882). I need not, therefore, allude to it in detail. It will be sufficient for me to say that a distinction has now been made between those charges which, on the one hand, are common to all systems of collecting the Revenue,—i.e., Customs, Excise, and Monopoly,—and which arise out of the taxation of salt by the Government, and those which, on the other hand, are incidental to its manufacture. The former will be excluded from the calculation on which the selling price of Government salt is based. The latter will be included.

#### “XI.—The Customs Duties.

“203. I now turn to the important question of the Customs Duties. I need not dwell at any length on the history of the reforms which during the last few years have been made in the Tariff. Every member of this Council must be familiar with the nature of those reforms. The Customs Duties.

“204. In 1875 the Tariff was carefully revised. The general rate of import duty was reduced from  $7\frac{1}{2}$  to 5 per cent., and a duty of 5 per cent. was imposed on foreign raw cotton. Cotton goods, oils, seeds and spices were freed from export duty. The Tariff of 1875.

*The changes in  
March 1878.*

"205. In March 1878 certain descriptions of grey goods were exempted from duty. The duty imposed on foreign raw cotton in 1875 was abolished. Prior to that time the articles liable to pay Customs duty on importation were classified into sixty-two major heads. Twenty-nine of these heads were exempted from duty.

*The changes in  
March 1879.*

"206. These measures, which were avowedly of a tentative nature, failed to give satisfaction. In February 1879, therefore, a Commission, consisting of Messrs. Hope and Maclean, was appointed to enquire into the matter. Briefly it may be said that the result of their investigations was to show that "the really proximate source of the complaints which have arisen is the fact that there is little essential difference between the cloths which have been exempted, and "large classes of cloth, otherwise styled, which have not." It was determined, therefore, to exempt from duty all cotton goods containing no yarn of a higher number than 30s, and a notification to that effect was issued on March 13th, 1879. Thus the matter now stands.

*Effect of recent  
changes on the  
cotton trade.*

"207. The effect produced on the cotton trade by the recent changes in the Tariff has been very remarkable, as the following figures of value of imports in lakhs of rupees (tens of thousands of pounds, at Rs. 10 the pound) will show:—

|                                | GREY PIECE GOODS. |           | Other Goods. | Total Cotton Goods. |
|--------------------------------|-------------------|-----------|--------------|---------------------|
|                                | Free.             | Dutiable. |              |                     |
| Average 1875-76 to 1877-78 ... | ...               | 1,078     | 860          | 1,938               |
| 1878-79 ...                    | 33                | 832       | 826          | 1,691               |
| 1879-80 ...                    | 458               | 581       | 927          | 1,966               |
| 1880-81 ...                    | 983               | 372       | 1,306        | 2,661               |
| 1881-82 (Estimate) ...         | 957               | 285       | 1,020        | 2,262               |

*The Revenue from  
grey goods is fast  
disappearing.*

"208. If we look at the figures month by month since April 1879, the results are still more remarkable. The monthly value of the duty-free grey piece-goods has risen from 5 to 82 per cent. (in January 1882) of the total imports of those goods, whilst the value of the dutiable grey piece-goods has declined in a similar proportion,—i.e., from 95 per cent. to 18 per cent. In shirtings only the duty-free percentage in January last was 94 per cent. The character of the trade has, in fact, completely altered. It has adapted itself to the new circumstances, with the result that the Revenue derived from the duty on grey goods is, to use the words of the Bengal Chamber of Commerce, "dying a natural death."

*Administrative in-  
convenience of the  
present Tariff.*

"209. There can be no question that, whether from the point of view of administrative convenience or from that of fiscal principle, the actual condition

of affairs is open to grave objections. As regards administrative inconvenience, I will not lengthen this Statement by entering into the detail of the numerous complaints which are from time to time addressed to the Financial Department by those interested in the cotton trade, nor of the difficulties experienced by the Custom House officers in giving effect to the present law. I will only remark in general terms that the difficulty of distinguishing between dutiable and duty-free goods is very great. Honest traders are exposed to loss and inconvenience from no fault of their own. A small portion of yarn which is dutiable is occasionally mixed up in the same piece with that which is duty-free. This may happen not only without the cognisance of the importer, who must rely upon the invoice he receives from Manchester, but even without the knowledge of the manufacturer himself. It is difficult in such cases to say whether the apparent intention to evade the duties is fraudulent or accidental. Thus a constant battle is being waged between the importers and the Custom House officers. An attempt has, indeed, been made to frame regulations which shall obviate this state of things. Such regulations are, however, but the most feeble palliatives, and cannot attain the desired object. So long as the existing distinction is maintained, the minute inspection and consequent delays necessary to prevent a practice of evading the duty from springing up, must always be inconvenient to the trade, however considerate the Customs officials may be.

"210. Next, it is to be observed that, though direct protection to local manufacture no longer exists, the immediate effect of the partial repeal of the cotton duties has been to protect one class of Manchester grey goods against another, the line drawn being an arbitrary one. The manufacture and trade in grey goods for India has, in fact, been forced artificially in one direction by the Customs impost. A very remarkable instance of the effect of the present system is given in a memorial from Messrs. Leech & Sons, which was recently addressed to the Government of India. Messrs. Leech & Sons are Lancashire manufacturers, whose Calcutta agents are Messrs. Kettlewell, Bullen & Co. They set forth that, ever since the year 1834, they have supplied certain grey shirtings to the Indian market marked with a stamp in which they have a proprietary right. These grey shirtings are made of yarns averaging No. 32s,—that is to say, they come just within the dutiable category, which comprises all yarns above 30s. Other manufacturers have been able to produce a different class of goods, and so adapt themselves to the altered condition of the trade. Messrs. Leech, however, are unwilling to adopt a similar course. They are in this dilemma: either they will be driven out of the market by competition with duty-free cloths, or they must change their machinery, which will involve

*Objections of principle to present Tariff.*

a heavy outlay of capital and a considerable risk of losing the position which they, by their own exertions, have acquired in the trade. The result of this anomalous state of things is that, during the last four months of the year 1880, Messrs. Lecch paid no less than 36 per cent. of the total duty collected at the Port of Calcutta on grey goods.

*Manchester is protected against India.*

" 211. This, however, is by no means the only anomaly which exists under the present Tariff. Not only is one class of Manchester goods protected against others, but, to some extent, English goods are protected against those manufactured in India. In April 1879 the Calcutta authorities represented that large classes of coarse grey piece-goods were distinguished or decorated by a narrow border, coloured or white, and made of yarn finer than 30s, and that unless this trivial want of uniformity were condoned, they would be deprived of the exemption intended for them. Borders not exceeding  $1\frac{1}{2}$  inches in width were consequently allowed to pass free. Soon afterwards the Bombay authorities asked for a similar favor on behalf of the  $4\frac{1}{2}$ -inch borders, which are in chief use among the colour-loving population of Western India. The application was granted. The result is that, while imported goods may pass free though containing coloured (or white) borders of fine yarn aggregating over six per cent. the piece, the Indian mills have had to make their borders of yarn paying duty. The disadvantage to them was, perhaps, not very heavy, but it has helped to induce them to begin to dye and double the yarn made by themselves. The Bombay Commissioner of Customs in a recent report stated that "yarn dyed and doubled in Bombay is now sold at prices as good as, or better than, those realised by imported yarn of similar quality. The duty "is saved, and if the experiment is found profitable, the industry will extend."

*Injustice of taxing white and coloured goods.*

" 212. The defects in the present Tariff which I have so far indicated apply mainly to grey goods only. They could, for the most part, be rectified by the abolition of the duty on those goods. I do not know, however, on what principle the taxation of white and coloured goods can be justified if grey goods are exempted from duty. On this point I invite attention to the following observations of the Bengal Chamber of Commerce. In a letter dated 17th January 1880, the Committee of the Chamber says :—

" Another anomaly is that white and coloured goods made of 30s yarn or under, and coloured yarns of 30s and under, are not admitted free like grey cloths and grey yarns. The intention which Government had in view, in taking its first steps towards the reduction of these duties, was no doubt to remove the protection which our local mills were supposed to enjoy, and it was not thought that their production could possibly compete with anything but certain grey goods. There is no doubt, however, that the Natives do largely bleach and dye goods



and yarns for themselves all over the country; and it therefore comes about that importers, who devote themselves more exclusively to white and coloured goods, are handicapped to the extent of the duty. There is no apparent reason why an importer should not be allowed to bleach or dye a piece of grey shirting made of 30s yarn, or under, if he chooses to do so, because there is no duty on colour *per se*. The duty on dyed yarn, for instance, is charged only upon the grey weight and not upon the dyed weight. What practical difference, therefore, can there be to the customs whether 30s yarn is dyed or not, and *pari passu* what difference can be drawn in such a case betwixt yarn and goods made of such yarn, whether grey, coloured, or bleached?

“The Committee submit that there are strong and weighty reasons why what appears to them a substantial grievance should be removed. It is seen how the trade in duty-free grey goods and yarns has developed, and it seems only right and fair that merchants who devote themselves to the importation of white and coloured goods should be put in a position to extend their efforts in similar lines. It can be shown that even now many important classes of goods under these denominations could be imported made of duty-free yarns, and there is no reasonable doubt that the variety could be largely extended were the duty removed.”

“213. I now turn from the cotton duties to a consideration of the general im- The General Im-  
port duties. The Calcutta Trades Association in March 1879, and again recently, port Duties.  
urged with much force the many anomalies in the existing system under which these duties are levied. In a letter of February 10th, 1882, the Association characterises the duties as “protective, capricious, and opposed to economic principles,” and adds that “while harassing to the importer, they yield a Revenue “so insignificant as hardly to cover the cost of collection when the larger sources “of Revenue (*i.e.*, the Cotton Duties) are removed.”

“214. The Tariff of 1875 was complete in itself for the purposes for which it was designed, but the practical declaration on March 18th, 1878, that a duty was indefensible if it either was *at all* protective or did not yield a sum absolutely as well as relatively large, introduced two disruptive forces into a machine not constructed to meet them, and necessarily shattered it.

“215. The effect of applying the protective objection is well illustrated by the The duties are pro-  
following extract from the speech of Sir William Muir (then Financial Member ective.  
of Council) on the Tariff Bill, when before the Legislative Council on August 5th, 1875. “If Honourable Members,” he said, “will cast their eye down the “import schedule, they will find hardly any article which, in consequence of “the vast area and varying conditions of our soil and climate, cannot be more “or less produced in some part of our dominions.” Apparel of many kinds, hardware, jewellery, innumerable manufactures of metal, provisions and stores of many kinds, spices, sugar, tea, tobacco, with raw silk and fabrics of silk and wool, are all made in India, some to a large extent, and every import duty on

them is protective. On what principle, again, are silk and woollen goods, or goods having cotton mixed with silk or wool, to be denied the exemption accorded to cotton goods? "The duty on *Woollen Fabrics*," the Calcutta Trades Association rightly argues, "must, if only for the sake of consistency, follow the cotton duties."

And yield only a small Revenue.

"216. The effect of applying to individual dutiable items the objection of small receipts is equally destructive. Under the Tariff before 1878, the heads fitted into each other, so that articles of the same general nature were taxed under one designation or another, and disputes were avoided. But the exemption of twenty-seven main heads on March 18th, 1878, introduced endless confusion and inconsistency, since certain heads were freed which were really parts of, or connected with, others left dutiable. Thus, the freed head of "Chemical products and preparations" overlaps the dutiable one of "Drugs and Medicines." "Seeds" are in some cases also "Spices," "Drugs," or "Provisions," while both "Oils" and "Fruits" overlap "Provisions," the first-named articles in each case being alone exempt. "Oils" also overlap "Drugs" and "Perfumery." A carriage may be imported duty-free, but all the principal materials for building one in India are dutiable. The glass panels of a sideboard and the plates of a mirror are dutiable as "Glass," but the woodwork of the one and the gilt frame of the other are exempt as "Furniture." Manufactures of leather are free, but a leather portmanteau is dutiable because it is fitted with a metal lock. Spades are classed as agricultural implements and are thus exempted from duty, but shovels are dutiable. A garden engine is free, but a syringe, used for exactly the same purpose, is dutiable. Again, there are many heads still dutiable which seem to have just as good claims to exemption, whether in respect of yielding little duty, or on their own merits, as those which were exempted in 1878. Stationery, for instance, paid only £5,350 in 1880-81, of which the chief part came from schoolboys' slates. In the same year shells and cowries paid £1,102, corks £1,600, gums £3,237, and paints £8,840.

Raw material is taxed.

"217. Another objection to some of these duties is, that the raw materials of industry and articles contributing to production are taxed. Dyes, ivory, paints, colours and painters' materials, and, above all, unwrought metals, are illustrations of this objection.

Further practical objections.

"218. Nor are these the only objections to the existing Tariff. Many practical difficulties arise in giving effect to the law as it now stands. Of these difficulties I may mention a few examples.

“ 219. *First*, comes that of dealing with dutiable articles imported by letter post. There is no agency, except in the Presidency towns, by which the duty can be fixed and levied on the contents of letters; but the Calcutta Trades Association reasonably objects to the levy of duty at the Presidency towns alone. The objection might be mostly got over by exempting jewellery from duty, but it has no better claim to exemption than a dozen other articles.

*Import of articles  
by post.*

“ 220. *Secondly*, come the special claims for exemption in individual cases, such as organs and painted windows for churches, mess necessaries, volunteer uniforms, gas and water pipes, and many other articles. There are always a dozen reasons, and occasionally some pressure, in favor of these exemptions, and any general rule can hardly be maintained.

*Special claims for  
exemption.*

“ 221. *Thirdly*, difficulties of definition are great, and lead to much minor injustice. The Financial Department had not long ago to issue elaborate orders explaining to Customs officers the difference between machines and machinery.

*Difficulties of defi-  
nition.*

“ 222. To sum up this branch of the subject, I submit that the General Import Duties, which are still levied on thirty-one main heads, comprising many hundreds of items, not only are open to the numerous economic and practical objections which I have already enumerated, but also cause an amount of friction, scrutiny, and interference with trade quite incommensurate with the net Revenue they produce.

*Interference with  
trade, &c.*

“ 223. The arguments in favor of abolishing the General Import Duties are even stronger than those which may be adduced in respect to the abolition of the Cotton Duties. The maintenance of the former, if the latter are to be abolished, would, from every point of view, be open to great objection.

*General Import  
Duties open to great  
objections.*

“ 224. Whether, therefore, we look to the Cotton Duties or to the General Import Duties, it is clear that it is undesirable to maintain the present Tariff.

“ 225. Various methods have from time to time been suggested to remedy the anomalies of the existing system. It has been proposed to levy a low and uniform rate of duty on all cotton goods, to excise Indian cotton, or to impose a low registration fee on all imports and exports. I need not discuss the merits and demerits of these proposals, for we are fortunately in a position to adopt a more thorough and satisfactory remedy.

*Proposals to remedy  
existing defects.*

“ 226. A good deal of the controversy which has arisen on the subject of Customs reform in India, appears to be due to the fact that it has generally been as-

*Real question to be  
decided by Gov-  
ernment.*

sumed—and I admit that the assumption has until quite recently not been at all unreasonable—that the whole or partial repeal of the Customs Duties must of necessity be accompanied by the imposition of fresh taxation—probably direct taxation—which would be more unpopular than the present method of raising Revenue by the levy of duties on imported goods. I am not called upon to discuss the relative merits and demerits of direct and indirect taxation, either in general or in respect to the particular form of taxation which under present circumstances is most suitable to India. The question is one which for many years past has divided Indian financiers and administrators into two opposite schools, and high authorities may be quoted on either side of the controversy. The substitution of a direct for an indirect tax is, however, not now under discussion. The issue the Government has had to decide is wholly different. That issue I may formulate in the following words: The ordinary Revenue of India exceeds the ordinary Expenditure. A remission of taxation is therefore possible. What form should that remission take?

*Abolition of Cotton  
and General Im-  
port Duties.*

“ 227. After a full consideration of the various alternatives which might be adopted, the Government is of opinion that the form which a remission of taxation may most beneficially assume is the abolition of the whole of the Cotton Duties and of the General Import Duties. The Special Duties—namely, those on wine, beer, spirits and liqueurs—will remain; so also will the duty on arms and ammunition, salt and opium. With these exceptions, we propose that no import duties of any kind shall in the future be levied.

“ 228. I have said that the adoption of this measure is possible without the imposition of any fresh taxes. It remains for me to adduce arithmetical proof in support of this position.

*Loss of Revenue  
from abolition of  
Import Duties.*

“ 229. The loss of Revenue involved in the Customs reforms now proposed is estimated as follows:—

|                          |     |                |                     |     |           |
|--------------------------|-----|----------------|---------------------|-----|-----------|
| Cotton Duties            | ... | ...            | ...                 | £   | 655,000   |
| General Import Duties    | ... | ...            | ...                 |     | 564,000   |
|                          |     |                | Total gross loss    | ... | 1,219,000 |
| Deduct—                  |     |                |                     | £   |           |
| Refunds                  | ... | ...            | 35,000              |     |           |
| Saving in Establishments | ... | ...            | 75,000 <sup>1</sup> |     |           |
|                          |     |                |                     |     | 110,000   |
|                          |     | Total net loss | ...                 | ... | 1,108,000 |

<sup>1</sup> The saving in 1882-83 will not be so much as £75,000, by reason of the cost incurred in giving gratuities on discharge, &c.

“ 230. Supposing no change to be made during the coming year in the Salt or Customs Duties, and that the net Opium Revenue were estimated, as during the year 1881-82, at £6,500,000 net, there would remain a surplus of £2,105,000. This is £997,000 in excess of the loss which will be involved in the proposed Customs reforms. I state the case in this form as I wish to draw attention to the fact that, in taking off the Customs Duties, we are not increasing our reliance on Opium. We could take off those duties if we maintained the relatively low Opium estimate of £6,500,000 net. The case of Salt is different. In reducing the Salt Duty we do, to the extent of £750,000, increase our reliance on Opium.

*The loss is much less than the surplus of 1882-83, supposing no changes to be made in Salt or Opium.*

“ 231. It is, of course, desirable to estimate for a moderate surplus. But to keep on taxes in order to secure too large a surplus is unjustifiable and opposed to sound financial principles. It is to be borne in mind that the surplus both of the current and of the coming year represents the excess of Revenue over Expenditure after providing £1,500,000 annually as an Insurance against Famine, of which sum £750,000 is applied to the Reduction of Debt.

“ 232. Before leaving this subject I may perhaps be permitted to express a hope that the solution which the Government now offers of this difficult and important problem will be accepted by this Council and by the public opinion of India and England as satisfactory, and that it will finally set at rest the angry controversy which has for some years been waged. That controversy has unfortunately taken a form which no true friend of England or of India can view without regret. It has been represented—erroneously, as I venture to think—that in respect to the question now under discussion there is an antagonism of interests between the two countries.

*General observations.*

“ 233. I am not now concerned to go into the whole of the past history of this question, or to discuss whether, viewed by the light of subsequent events, the particular measures which have at each step been adopted to attain the desired end were the best of which the circumstances admitted. This much, however, I will say. As an incident of her connection with England, India has a right to profit from English experience and English economic history. That experience and that history show that by the adoption of Free Trade, a country benefits, indeed, all the world, but more specially benefits itself. It may perhaps be urged that the fiscal conditions of England and India are so different that no analogy can be instituted between the two countries. For the purposes of the present discussion I believe this argument to be unsound. The wealth of India, like that of other countries, is in proportion, not only to its natural resources, but to the

degree of liberty it may possess in the use of those resources. By the adoption of the measures now proposed, India will be more free to exchange her exportable produce for the products of foreign lands than would be possible were the import duties maintained. The desirability of removing, so far as is possible, all checks on the Indian import trade was pointed out by Sir Charles Trevelyan so long ago as 1864 in the following words: "Our object," he said, "should be "to remove, as far as possible, every obstruction to the freedom of trade, as was "done in the analogous case at home. The great embarrassment of the trade "of India has always been the want of imports to meet the vast quantity of "exportable produce which the country is capable of sending forth. If we "desire to relieve the trade of India, and to give free scope to its further "extension, we should give all possible encouragement to her imports."

*The reform will contribute to the extension of the railway system.*

"234 In addition to these general arguments, which would readily admit of further development, there is one consideration which applies specially to India, and which, I venture to think, is at the present moment of considerable importance. The desirability of rapidly extending our railway system is universally recognised. The main obstacle to any such rapid extension is the difficulty of attracting railway capital to India on terms which shall not be too onerous to the State. No fiscal measure of general application would be so likely to give a stimulus to railway construction as the removal of all restrictions on trade.

*And will be most beneficial to India.*

"235. I am, indeed, very far from saying that a free-trade policy should be carried out at all hazards. "There is not," Mr. Gladstone once said,\* "a free-trade Government in this or any country which has "not freely admitted that the state of the Revenue is "an essential element in the consideration of the application even of the best. "principles of free trade." The question is essentially one of Revenue. Objectionable as is the present condition of the Tariff, we should be obliged, were our general financial position less favorable than it is, to bear for a time with some, at least, of the existing evils. But, under present circumstances, there is no necessity for withholding from India any longer the full advantages of free trade. The Government, therefore, brings forward these proposals in the firm belief that their adoption will be of the utmost benefit to India, and with the knowledge that, under present circumstances, they will be unaccompanied by any counterbalancing disadvantages.

\* Debate in the House of Commons, June 12th, 1879.

*Minor Tariff reforms.*

"236. We propose to take the present opportunity for introducing two minor reforms into the Tariff.

“ 237. Methylated spirit at present pays a duty of 10 per cent. It is used Methylated spirit. to make varnish and ether; also to preserve specimens in museums. We propose, at the instance of the Bombay Chamber of Commerce, to reduce the rate of duty to 5 per cent. An analogous reduction will be made in the Excise duty. The loss to the Revenue will be trifling—about £250 a year.

“ 238. Under the existing law, Perfumed Spirits imported in bottles not containing more than half a pint pay a 5 per cent. *ad valorem* duty. It has been pointed out by the Bombay and Bengal Governments that large quantities of Eau-de-Cologne are imported and used as potable spirit. The law is thus evaded and the Revenue from Excise suffers. In consequence of the abolition of the General Import Duties, “Perfumery” will no longer be taxed, but we propose that Perfumed Spirit imported in wood or in bottles containing more than 4 ozs. (rather less than a quarter of a pint) should be taxed as “Spirit” at the rate of Rs. 4 the imperial gallon, with an increasing duty in proportion as the strength of the spirit exceeds London proof. Perfumed Spirits.

### “ XII.—The License Tax.

“ 239. The last point, involving any question of fiscal principle with which The License Tax. I have to deal is the License Tax. The main question which the Government has had to decide in connection with this subject is whether, a remission of taxation being possible, the License Tax should be abolished in preference to other taxes.

“ 240. In the autumn of 1880, His Excellency the Viceroy addressed a confidential circular to the heads of the several local Administrations with a view to obtaining their opinions as to the desirability of maintaining the present License Tax. The Governor of Madras (the Duke of Buckingham) and his colleagues were of opinion that the tax, though suitable for Municipal purposes, was objectionable as an Imperial resource owing to the defective nature of the staff available in the rural districts for its assessment and collection. The Government of Bombay preferred another form of direct taxation to the License Tax. Opinions of Local Governments.

“ With these exceptions there was unanimity of opinion on the following points:—

“ (1) That the doubt and uncertainty produced in the minds of the people by frequent changes in the modes of taxation were greater evils than the taxes themselves, and that, therefore, any hasty change was much to be deprecated.

"(2) That any objections which originally existed on account of the pressure of the License Tax on the poorer classes had been met by raising the minimum assessable income to Rs. 500.

"(3) That the people were becoming accustomed to the tax, and that the method of its assessment and collection had been much improved.

*Justice of direct taxation.*

" 241. The License Tax at present yields an annual net Revenue of about £524,000. This sum is paid by 228,447 persons.\* The justice of imposing some tax upon the trading classes of the community cannot be questioned. The Bengal Chamber of Commerce, in a letter addressed quite recently (February 21st) to the Government of India, said, while speaking

in condemnatory terms of the incidence of the present License Tax, that "they are alive to the difficulty of bringing by any other means a large body of Her Majesty's subjects under contribution to the expenditure of the State in any proportion approximate to the advantages they derive from such expenditure." The fact that those classes, who perhaps more than any others have benefited by British rule in India, pay so little, has long been recognised as a blot upon the Indian fiscal system.

*There are some practical objections.*

" 242. That there are some practical objections to direct taxation generally, and that those objections apply in India as elsewhere, and even somewhat more in India than elsewhere, may be readily admitted. The question which the Government has had to decide is the degree of urgency to be attached to those objections.

*Decision not to abolish the License Tax.*

" 243. The repeal of the License Tax would relieve the small number of people who now pay it and would do little more. The mass of the tax-payers would obtain no relief. The general financial situation would in no way be strengthened. On the other hand, by the abolition of the import duties, and by the reduction of the duty on salt, relief will be afforded to the whole country, a stimulus will be given to trade, the general financial situation will be much strengthened, and it may reasonably be expected that in course of time the actual loss to the Treasury will be to some extent recouped by increased railway receipts and increased consumption of salt. There can, I venture to think, be no question on which side the balance of advantage lies. Under these circumstances the Government has decided not now to propose the abolition of the License Tax.

|                              |     |                |
|------------------------------|-----|----------------|
| • Madras ...                 | ... | 20,017         |
| Bombay ...                   | ... | 52,973         |
| Bengal ...                   | ... | 68,179         |
| N.-W. Provinces and Oudh ... | ... | 49,545         |
| Punjab ...                   | ... | 28,733         |
| Total ...                    | ... | <u>228,447</u> |



“ 244. If, however, the License Tax is not to be abolished, the question remains for consideration whether an immediate attempt should be made to remedy the defects which, it is admitted, exist in the present Acts regulating its assessment and collection. *Is the present system to remain in force?*

“ 245. The difficulty of making practice agree with sound theory in the administration of any system of direct taxation is well known, but the inconsistencies and defects of the License Tax Acts, which at present apply to the several Provinces of India, are glaring, and many of them are unquestionably quite remediable. Thus, excepting in the Madras Presidency, a summary License Tax is levied throughout the greater part of India. In Madras the tax approaches, in some respects, nearest to an Income Tax. Again, everywhere, excepting in the Bombay Presidency, the maximum fee leviable is Rs. 500. In Bombay it is Rs. 200. In Northern India there are two classes, sub-divided into eight grades. In Bengal there are six classes. In Madras there are eight classes. In Bombay there are eleven classes. In British Burma and Assam the tax is not levied at all. Some of these inconsistencies are difficult to defend. For instance, there can be no sort of reason why a rich trader in Bombay should not pay as much as another in a similar situation at Agra or Delhi. In fact, whatever opinions may be held in respect to direct taxation generally in India, there can be no doubt that the present License Tax is open to serious objections. Not only are there great inequalities in its incidence in various Provinces, but also it is open to the very great objections that, in respect to those classes who are taxed, it falls with disproportionate hardship on the less wealthy, and, further, that other classes, who might with justice be called upon to pay the tax, are altogether exempted. *Defects of present License Tax recognised.*

“ 246. It is clear, therefore, that the License Tax in its present form cannot be incorporated into the permanent fiscal system of the country. Whilst, however, fully recognising the validity of the objections which may be urged against the tax as it now exists, we do not propose that any changes should be made at present. *No immediate change proposed.*

“ 247. It is exceedingly desirable that any changes that are made should be final. The frequent changes in the personnel of the Indian Government have exercised a very baneful effect upon the manner in which the question of direct taxation has been treated. Fixity of policy has been conspicuous by its absence. In the last 22 years no less than 23 Acts of the Legislature have been passed, in which successive Governments have either rung the changes on the various expedients for imposing direct taxes, or have for the time being adopted a policy opposed to any direct taxation whatsoever. It was impossible *Desirability of finality in dealing with this question.*

under such a procedure that any system of direct taxation should take root in the country. It was certain that these frequent changes would keep alive rather than allay the unpopularity originally attendant on the imposition of any direct tax. The practical result of the system which has been followed has been that the fundamental principle, that the tax which each individual is bound to pay ought to be certain and not arbitrary, has been violated. Frequent changes have rendered it difficult for the tax-payers to ascertain the true amount due from them, and have facilitated arbitrary and illegal exactions on the part of the tax-gatherers.

“ 248. After full consideration, therefore, we are of opinion that it will be desirable to continue to levy the License Tax in its present form, objectionable though it be, at all events until the experience of another year has enabled us to judge more thoroughly than is at present possible of the policy which should in the future be adopted in respect to this Tax.

*Special reasons for postponing change of system.*

“ 249. The Indian fiscal system may now be said to be in a state of transition, and, if we were to make any change now, we could feel no assurance that some further change might not be required in connection with the financial arrangements of 1883-84. The special features in connection with the actual financial position which render it desirable to postpone the further consideration of this question are:—

- “ (i) That the economy which may result from our proposals in connection with military re-organisation is as yet uncertain.
- “ (ii) That the proposed Customs reforms and the reduction of the Salt Duty will certainly increase the Railway receipts, but to what extent it is impossible to foresee.
- “ (iii) That increased consumption will partially recoup us the loss consequent on the reduction of the Salt Duty, but to what extent is uncertain.
- “ (iv) That during the year 1882-83 we have to provide a sum of £223,000 in order to complete the Frontier Railways, a charge which will not recur.
- “ (v) That, for the reasons I have already given, we cannot count with certainty on being able to take so high an Opium Estimate in the future as that which we propose for 1882-83.
- “ (vi) That it is within the range of possibility that we may be in a better position a year hence to judge of the future of silver than is at present possible.

“ 250. Although, however, the consideration of the question is postponed, I may at once say that the Government does not contemplate the imposition of any new general direct tax payable by all classes of the community. There are good reasons for supposing that during the last decade there has been, generally speaking, a considerable advance in the trade-wealth of the country, whilst the improvement in the position of the agricultural classes has been proportionately less rapid, at all events in some Provinces. The agricultural classes in most parts of the country are already sufficiently taxed. Whilst we consider that an amendment of the present system of direct taxation, so as to embrace in a more equitable manner all classes of the non-agricultural community, is not only open to no valid objections, but would, if it should become necessary, be just in itself, we should be opposed to the imposition of any direct tax which would add to the amount already contributed by the agricultural classes in the form of Land Revenue or Provincial Rates anything in excess of their fair share of the public burdens. So long as the agricultural classes contribute their fair share of the public burdens in either of these forms, we should not consider it necessary that they should be embraced in any system of direct taxation to which the non-agricultural community might be subject.

*No new general tax will be imposed.*

“ 251. In order to prevent any future misapprehension, it may be desirable to sum up in a few words the attitude of the Government in respect to the License Tax. It is as follows. We recognise the evils of the present Tax. We recognise that in its present form it cannot be incorporated into the permanent fiscal system of the country. Beyond this we do not at present go. We reserve to ourselves complete liberty of action in the future, either to propose the abolition of the License Tax, to recast it, or even, should such a course appear desirable when the financial arrangements for the year 1883-84 come under consideration, to allow it to continue in existence in its present form for a while longer.

*Summary of attitude of Government in respect to this question.*

**“ XIII.—Budget Estimates, 1882-83.**

“ 252. The Budget Estimates for the coming year have been framed on the assumption that effect will be given to the various reforms to which I have alluded. They give the following results:—

Budget Estimates, 1882-83.

|             |     |     |     |         |                |
|-------------|-----|-----|-----|---------|----------------|
|             |     |     |     |         | £              |
| Revenue     | ... | ..  | ... | ...     | ... 60,459,000 |
| Expenditure | ... | ... | ... | ...     | ... 60,174,000 |
|             |     |     |     | Surplus | ... 285,000    |

Observations on the  
surplus.

" 253. It has been laid down by successive Governments that, after providing for all ordinary expenditure, the Indian Budget should show a surplus of £500,000 to meet any unforeseen charges that may arise in the course of the year. The surplus which is at present anticipated during the year 1882-83 falls short of that sum by £215,000. The Estimates have been very carefully framed. Ample provision has been made for all expenditure that can now be foreseen. The net Opium Revenue has been taken at £588,000 less than the Regular Estimate for 1881-82, and at £1,201,000 less than the actual receipts of 1880-81. The net Railway receipts are taken at £468,000 less than the Regular Estimate for 1881-82.<sup>1</sup> A very moderate allowance has been made for increased consumption of salt consequent on the large reduction of duty. A reference to the columns in Appendix II, in which the Budget Estimates for the coming year are compared with the Regular Estimates of the current year, will show that in most cases allowance has been made for a decrease of Revenue and for an increase of Expenditure.<sup>2</sup> At the same time it is to be borne in mind that the Opium trade is at present in a somewhat unsettled state. It is not at all impossible that even our present moderate estimate for Opium (£7,250,000 net) may prove too high. Again, a bad harvest in India, or a partial cessation in the demand for wheat or other Indian produce in Europe, may produce a heavy falling-off in the traffic receipts of Railways and at the same time depreciate Exchange. High prices would also influence the Military and other Estimates. The instability of the value of silver is a permanent source of danger to the Indian Revenue. The consumption of salt may increase even less than is now anticipated. These, and other points, have all to be taken into consideration. There must always be some uncertainty as to the ultimate effect of such important reforms as those which are now proposed. Those reforms are, however, so desirable in themselves that we consider that the Estimates for the coming year may justifiably be based on a surplus of only £285,000. Further, it is to be borne in mind—and this is a consideration of great importance—that we already have in hand the surplus of the current year (£1,577,000), which amounts to more than three times the normal surplus (£500,000) for which it is, generally speaking, considered desirable to make provision.

Military Expenditure.

" 254. In the last Financial Statement (para. 104) I alluded to the fact that a

<sup>1</sup> Part of this difference appears under *XXV & 32. Railways*. Part is included in *I. Interest on Debt*.  
<sup>2</sup> There is a net decrease of expenditure in 1882-83 of £1,202,000, but this decrease appears almost entirely under two heads. In the first place, the *Army* Expenditure is taken at £2,602,000 less than in 1881-82. This large difference is, of course, mainly due to the provision made in 1881-82 for War Expenditure. In the second place, there is a decrease of £529,000 under the head of *Loss by Exchange*. This is due to the requirements of the Home Treasury being about £1,500,000 less in 1882-83 than in 1881-82.

Commission composed of high authorities had pronounced the possibility of reducing the cost of the Army, and I expressed an opinion that, when once we were free from Afghan complications, the question of reducing Military Expenditure was of all others that which most seriously demanded the attention of Government.

“255. This important subject has been fully considered by the Government during the course of the year, and although it has been deemed impossible to accept the proposals of the Commission in their entirety, at the same time the highest Military authorities in India are of opinion that the cost of the Army can be materially reduced without the Military strength of the Empire being impaired; indeed, that certain measures of re-organisation would not only prove economical but would also improve the efficiency of the Army. *Subject of Military reductions has been considered.*

“256. The whole Military system has been carefully reviewed, and the proposals of the Government of India are now before the Secretary of State. I will not, however, dwell on this subject any further as, in the course of the debate on the Bills which I am about to introduce, my Honourable Colleague in charge of the Military Department proposes to deal fully with it. The Budget Estimates for the year 1882-83 provide for a net Military Expenditure of £15,260,000, being less than the ordinary net expenditure of any year since 1876-77. *Military Estimates for 1882-83.*

“257. *Loss by Exchange* has been taken at £2,775,000 net, being £519,000 less than the Regular Estimate for the current year. The requirements of the Home Treasury during the course of the coming year are estimated at £15,592,000 (true sterling). Of this amount, £250,000 will be received from Her Majesty's Government at home in consideration of the Indian Government supplying the Hong-Kong Military Treasure Chest. The remainder, *viz.*, £15,342,000 is the estimate of the amount of Council Bills to be drawn. The rate of exchange has been taken at 1s. 8d. *XXIX & 36. Exchange.*

#### “XIV.—Issue of Stock Notes.

“258. Before I proceed to discuss the Estimate of Ways and Means for the year, it will be desirable to allude to a recent decision of the Government which bears upon this important question. *Issue of Stock Notes.*

“259. The value of the net imports of gold into India from 1860-61 to 1880-81, inclusive, was £78,308,300; and of silver, during the same period, £151,478,300. It cannot be doubted that a considerable portion of this large amount is hoarded, either in the shape of coin or ornaments. Nothing, indeed, is more remark- *Imports of Treasure*

able in India, than the contrast between the large quantities of the precious metals which are imported annually, and the small amount of floating capital which is available for purposes of temporary accommodation in the market.

Advantages of  
attracting petty  
investments.

"260. The question of whether it would not be possible to devise some means for borrowing from *bond fide* local investors the amount we require annually for Productive Public Works, has for long occupied the attention of the Government. The advantages to be derived from any such scheme, supposing it to be practicable, are obvious. In the first place, we diminish the amount of the remittances to England, which have to be made either in the form of Secretary of State's bills or commercial bills when the holders of sterling or rupee securities are resident out of India. In the second place, we encourage thrift and the accumulation of capital, and afford a safe investment to the poorer classes. In the third place, we give to a certain number of people a direct interest in the stability of the Government.

Mr. Hope's scheme.

"261. In 1879 a scheme based on a consideration of the American "Refunding Certificates" and of the system of French "Rentes" was laid before the Government of India by Mr. Hope. In August 1880 the Secretary of State drew the attention of the Government of India to the subject in the following terms: "I concur in the opinion that, desirable as is the object of obtaining "subscriptions to loans in small amounts from the residents in the country, "it would not be wise to attempt to accomplish that purpose by any measure "distasteful to the large holders of your securities. The experience of other "countries, especially France, shows, however, that a very large amount of "money may be obtained in small sums from the Natives of the country, if "facilities for their investment are afforded, and I request Your Excellency "will carefully consider whether any such scheme can be applied to the cir- "cumstances of India without being open to the objections pointed out by "your Government."

Scheme worth try-  
ing.

"262. We have accordingly reconsidered this important question. The opinions, both official and unofficial, which were collected in 1879, show that the principles involved meet with almost unanimous approval. Doubts, however, were expressed as to whether a rate of interest not exceeding 4 per cent. was sufficiently high to attract small investors in India. My own view of the question coincides with that set forth in the *Bombay Gazette* of November 12th, 1879, in the following terms—"In this particular matter the best "kind of 'ventilation' will be that of a practical experiment. No one can "say positively whether the plan will succeed or not, until it is tried; while "to try it would not cost much either in money or in trouble. The idea is

“pretty generally accepted as a good one, if it will work; but whether it will work or not can only be ascertained after a period of probation. After that, should the plan not prove successful, then no harm would have been done, and only the expense of printing a few Government Resolutions, together with the supply of the Notes themselves, will have been incurred.” We propose, therefore, to try the experiment.

“263. The difficulty indicated by the Secretary of State, namely, that nothing should be done to depreciate our ordinary stock, has, we hope, been obviated by providing that the new “Stock Notes,” as they will be called, shall be issued in denominations of small amount, that the interest shall be payable yearly instead of half-yearly, and that the Notes will be non-enfaceable to Europe. For the rest, the details of the scheme, into which I need not enter as they are fully explained in the Government Resolution attached to this Statement—(see Appendix B), have been framed with a view to making this new form of investment as attractive as possible to small local investors.

“264. It is not improbable that the Stock Notes will compete with the Savings Banks deposits. But if they do so, no harm will have been done; for, for all purposes of encouraging thrift and the accumulation of capital amongst the people, they will answer the same purposes as the Savings Banks, whilst, from the Government point of view, Stock Notes will be a more convenient form of investment than the Savings Banks, inasmuch, as in the former case, the capital will not be redeemable for at least 20 years, whilst in the latter case it is payable at call. It is thought that the obligation not to discharge the Notes for at least 20 years will be appreciated by investors, more especially as in consequence of the adoption of this course, the rate of interest can legitimately be fixed slightly ( $\frac{1}{4}$  per cent.) above that which is given for Savings Banks deposits.

#### “XV.—Ways and Means.

“265. I now proceed to state the Estimate of *Ways and Means* for the coming year.

Ways and  
Means, 1882.

“266. Last March it was estimated that the year 1881-82 would close with a balance of £10,000,000. It is now estimated that the closing balance of the year will be £14,200,000.

Closing balance,  
1881-82.

“267. We estimate that the balance on March 31st, 1883, will be £10,848,000. This estimate provides for a capital expenditure during the year of £2,765,000 on *Productive Public Works* and of £485,000 on the East Indian Railway.

Closing balance,  
1882-83.

Minimum balance  
in autumn  
months.

“268. In deciding whether a loan is necessary to meet this Capital Expenditure, which, I need hardly say, stands outside the ordinary Account, the important point to consider is, not so much the estimated closing cash balance on March 31st, 1883, as the minimum balance during the months of October, November, and December. During these months the balances are always lower than at any other period of the year. It is, of course, economical to work with as low a cash balance as possible, but in view of the limited extent to which temporary accommodation can be obtained in the Indian market, it is not at all desirable to let the Government cash balance sink too low. The business of the country can be carried on with a cash balance of £8,000,000, but it is not desirable that the balance should be allowed to sink below £5,500,000. A closing cash balance of £10,848,000 would correspond with a balance of about £7,400,000 in the month of November. According to this estimate, therefore, the balances would require strengthening during the year to the extent of £1,000,000 to £1,500,000.

Special points to  
be considered.

“269. On the other hand, the following points have to be taken into consideration.

“In the first place, the Estimates of Revenue and Expenditure are cautious. Unless anything unforeseen occurs, the results will probably show an improvement over the Estimates.

“In the second place, the creation of the Post Office Savings Banks will probably strengthen the balances to a greater extent than £80,000, for which sum only credit has on this account been taken.<sup>1</sup>

“In the third place, the issue of Stock Notes will contribute a certain addition to the balances of the year. No credit has, however, been taken on this account in the present estimate of *Ways and Means*.

“In the fourth place, it is not impossible that during the course of the year the Bombay Port Trust may repay to the Government a loan of £760,000. No credit has, however, been taken on this account.

“The experience of a few months is necessary in order to enable us to judge of the extent to which these various considerations will affect the Estimate of *Ways and Means* for the year.

Usual reservation.

“270. It has been usual, in notifying the intentions of Government in respect to borrowing, to speak under reserve. Indeed, of late years a note has

<sup>1</sup> Should the new Savings Bank scheme result in a large increase of deposits, it will eventually, in all probability, become necessary either permanently to strengthen the Cash Balance or to adopt some special method for financing these deposits. The whole of this money is, I need hardly say, held at call.



always been attached to the Estimate of *Ways and Means* (see Statement VII) to the effect that

“ the estimates in this Statement of the amounts to be borrowed and to be supplied to the Home Treasury by Bills are the best that can now be made ; but they are subject to modification as the year goes on : the Government must not be understood to pledge itself that the Secretary of State will raise by Bills the exact amount stated ; or that the exact amount stated will be borrowed during the year ; or that it will be borrowed in India or in England as the case may be.”

“ 271. I take the present opportunity of drawing special attention to this reservation. I am fully aware of how desirable it is that the Government should state as distinctly as possible what are its intentions in respect to borrowing. At the same time I must point out that to frame, twelve months in advance, an accurate estimate of the cash necessary to carry on the whole work of Government in India, is at all times a matter of very great difficulty. The difficulty is especially great this year owing, in the first place, to the large fiscal reforms which are about to be introduced, the full effect of which upon several heads of Revenue, notably *Salt* and *Railways*, can only be learnt by experience ; and, in the second place, owing to the uncertainty which must for the present prevail as to the extent to which the new Stock Notes will be taken up. All that the Government can do is to place the public fully in possession of the facts of the case as they now stand, and to indicate what is the most probable conclusion that is to be drawn from these facts. I cannot at present go further than to say (1) that it is uncertain whether we shall require any loan or not ; (2) that if we have to borrow at all, it is not probable that we shall require more than £1,500,000 at most ; and (3) that unless any extraordinary and unforeseen circumstance, such, for instance, as a famine, should arise, it is probable that our requirements will not be greater than could be supplied by the local banks temporarily under arrangements by which they would be repaid before the opening of the export season. But it must be clearly understood that I can at present give no sort of pledge as to the course the Government will ultimately pursue, and that we reserve to ourselves the most complete liberty of action during the year to take whatever steps further experience may show to be necessary.”

#### “ XVI.—Conclusion.

“ 272. I regret the length to which this Statement has extended. It is difficult, in making an Indian Financial Statement, to draw the line between saying too much and saying too little. The English practice of merely giving the broad features of the finance of the year has many advantages. The objection to apply-

*Special attention drawn to reservation.*

*Conclusion.*  
*Length of Statement.*

ing this method to India is that, if the details are not given in the Financial Statement, they do not come under the consideration of the public at all until the Accounts are finally made up. Last year I endeavoured to make my Statement as short as possible. The result, so far as I could judge from the comments of the Press both in England and India, was that the broad features of the financial position were generally well understood, but that misapprehension prevailed on some points which might, perhaps, have been removed had my Statement been less brief. This year my Statement is necessarily much longer, as the subjects which I have had to treat are of greater importance; but I have endeavoured, so far as is possible, to avoid descending into too great detail. I think it is, on the whole, better to omit explanations on matters of comparatively minor importance than to run the risk of the main issues being obscured amidst a mass of detail. I need, however, hardly add that there is not a single item in the Estimates about which full explanation cannot be given, if the necessity for doing so should arise.

Recapitulation.

“ 273. It will be desirable, finally, to recapitulate briefly the main facts of the present Financial Statement, to state the issues which call for the decision of this Council, and to indicate the features of the Statement which, although they do not necessitate legislation, are of sufficient importance to demand special attention.

“ 274. The main facts are as follows:—

Deficit of 1880-81.

“ (i) The Accounts of the year 1880-81 close with a deficit of £4,044,000. This deficit was wholly due to the expenditure on the war. Excluding the net expenditure on account of the war, there was a surplus of £6,320,000.

Surplus of 1881-82.

“ (ii) We estimate that the year 1881-82 will close with a surplus of £1,577,000 after payment to the Provincial Governments of £370,000 for their Afghan war contribution, and of £360,000 in connection with the renewal of the quinquennial contracts. On the other hand, about £250,000 of the English War contribution has been credited to the year in excess of the War Expenditure, thus abnormally increasing the surplus. But for these extraordinary items of Revenue and Expenditure, the surplus would have been £2,357,000.

Surplus of 1882-83.

“ (iii) We estimate the surplus of the year 1882-83 at £285,000. If no taxes were taken off and the Opium Revenue were taken at £7,250,000 net, the Surplus would be £3,171,000 (see Statement X).

“ 275. The proposals now made by the Government which involve legisla- Proposals involv-  
tion, are— ing legislation.

“ (i) The remission of the Patwari Cess in the North-Western Provinces and Remission of the  
the payment by Government of the patwaris in Oudh, who are now paid by the Patwari Cess in  
land-owners. This proposal involves a virtual remission of taxation to the the N.-W. Pro-  
extent of £316,000. vinces.

“ (ii) The total abolition of the Cotton Duties and the General Import Abolition of Im-  
Duties. This involves a remission of taxation to the extent of £1,219,000. port Duties.

“ (iii) The reduction of the rate of the duty on salt to Rs. 2 a maund every- Reduction of Salt  
where except in the Trans-Indus districts of the Punjab and in British Burma. Duty.  
This involves a loss of Revenue of about £1,400,000. Legislation is not  
absolutely required in order to introduce this change, but as the present  
Salt Act requires some amendments, independently of any change in the  
rate of duty, we propose to take this opportunity to bring a Bill to effect  
these amendments under the consideration of the Council.

“ 276. The remaining points of special importance which do not involve Other points not in-  
legislation are— volving legislation.

“ (i) The improvement in the position of the Subordinate Civil Services, Subordinate Civil  
which it is estimated will cost about £50,000 a year. Services.

“ (ii) The arrangements in connection with the renewal of the Provincial Provincial con-  
contracts. tracts.

“ (iii) The policy of the Government in respect to Opium. The net Reve- Opium.  
nue from this source has been taken at £7,250,000 in the Estimates for the  
coming year.

“ (iv) The attitude of the Government in respect to the License Tax. It The License Tax.  
is proposed to make no change at present, but we reserve to ourselves complete  
liberty of action for the future.

“ (v) The introduction of a scheme to facilitate borrowing from small local Stock Notes.  
investors by the issue of Stock Notes.

“ 277. To these must be added the steps which have been taken so far to Military Expendi-  
reduce the cost of the Army and to improve its efficiency. As I have already ture.  
mentioned, my Honourable Colleague, General Wilson, who can speak both with  
far greater authority and a more intimate knowledge of the subject than any  
to which I can pretend, will, in the course of the debate, explain fully the  
actual position of affairs in respect to Military Expenditure.

Conclusion.

"278. I commend these measures to the attention of this Council and of the public in the confident belief that they will receive fair and impartial consideration, and in the firm conviction that their adoption will benefit India.

Services rendered  
by Mr. Hope.

"279. I cannot close this Statement without cordially acknowledging the obligations the Government is under to Mr. Hope, the able Secretary in the Financial Department. Mr. Hope's wide economic knowledge, his great experience of every branch of the Indian administration, and the keen interest which he feels in every measure tending to promote the welfare of the people of India, have been invaluable in the consideration of the important measures which have recently been under discussion."

## INDIAN TARIFF BILL.

Major the Hon'ble EVELYN BARING then moved for leave to introduce a Bill to amend the law relating to Customs-duties, and for other purposes.

The Hon'ble MR. INGLIS asked if he rightly understood that the Customs Bill, if passed on Friday next, would take effect at once; and secondly, that goods would be dealt with under section 37 of Act VIII of 1878, that is, that goods in bond, and goods afloat, and goods landed but not "entered," would get the benefit of the reduction, but not goods for which, before the passing of the Bill on Friday, a bill of entry had been delivered to the Customs Collector under section 86.

Major the Hon'ble E. BARING in reply said that his hon'ble friend had rightly understood the scope of the Bill in respect to both the questions: the answer to both of them was in the affirmative.

The Motion was put and agreed to.

Major the Hon'ble E. BARING also applied to His Excellency the President to suspend the Rules for the Conduct of Business.

The PRESIDENT declared the Rules suspended.

Major the Hon'ble E. BARING then introduced the Bill.

## SALT BILL.

Major the Hon'ble E. BARING also moved for leave to introduce a Bill for regulating the Duty on Salt, and for other purposes.

The Motion was put and agreed to.

*N.-W. P. AND OUDH KÁNÚNGOS AND PATWÁRÍS BILL. 213*

Major the Hon'ble E. BARING also applied to His Excellency the President to suspend the Rules for the Conduct of Business.

The PRESIDENT declared the Rules suspended.

Major the Hon'ble E. BARING then introduced the Bill.

*N.-W. P. AND OUDH KÁNÚNGOS AND PATWÁRÍS BILL.*

Major the Hon'ble E. BARING also moved for leave to introduce a Bill to amend the law relating to Kánúngos and Patwáris in the North-Western Provinces and Oudh.

The Motion was put and agreed to.

Major the Hon'ble E. BARING also applied to His Excellency the President to suspend the Rules for the Conduct of Business.

The PRESIDENT declared the Rules suspended.

Major the Hon'ble E. BARING then introduced the Bill.

The Council adjourned to Friday, the 10th March, 1882.

CALCUTTA ;

*The 8th March, 1882.*

R. J. CROSTHWAITE,

*Offg. Secy. to the Govt. of India,  
Legislative Department.*