

C O N T E N T S.

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58. The Royal Commission on Indian Expenditure. Evidence-in-Chief of the Five Indian Witnesses. (Congress Green-Book, No.II.) 1898. pp.369-427. X76.2.M95 G 5
68. Return to the H. C. The Resolutions of the Government of India regarding Grant of Exchange Compensation Allowance to European Officers of the Indian Service. (338.) 1906. pp.428-441. X76.2.M95 G 5
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F I R S T
R E P O R T

FROM THE

Rare section

SELECT COMMITTEE

ON

EAST INDIA FINANCE;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE

Upon TUESDAY, the 29th APRIL 1873.

Ordered, by The House of Commons, to be Printed,
2 May 1873.

Friday, 7th February 1873.

Ordered, THAT a Select Committee be appointed "to inquire into the Finance and Financial Administration of India."

Monday, 10th February 1873.

Ordered, THAT the Committee do consist of Thirty Members.

Committee nominated of—

Mr. Ayrton.
Mr. Stephen Cave.
Mr. Crawford.
Mr. Baring.
Mr. Fawcett.
Mr. Beckett Denison.
Sir Charles Wingfield.
Mr. Eastwick.
Mr. Dickinson.
Mr. Bourke.
Mr. Candlish.
Sir James Elphinstone.
Mr. Lyttelton.
Mr. Birley.
Sir David Wedderburn.

Mr. Beach.
Sir Thomas Bazley.
Mr. Hermon.
Mr. M'Clure.
Mr. Cross.
Mr. John Benjamin Smith.
Mr. Grant Duff.
Mr. Robert Fowler.
Mr. Haviland-Burke.
Mr. Charles Dalrymple.
Sir Stafford Northcote.
Lord Edmond Fitzmaurice.
Mr. Ballie Cochrane.
Sir George Balfour.

Ordered, THAT the Committee have power to send for Persons, Papers, and Records.

Ordered, THAT Seven be the Quorum of the Committee.

Friday, 21st March 1873.

Ordered, THAT Mr. Campbell-Bannerman be added to the Commi

Tuesday, 1st April 1873.

Ordered, THAT it be an Instruction to the Committee to consider and report whether the Indian financial year which now terminates on the 31st March, should be altered to the year ending on the 31st December, in order that the Secretary of State for India may be enabled to make his Financial Statement to the House before the Easter Recess.

Friday, 2nd May 1873.

Ordered, THAT the Committee have power to report their Observations, from time to time to The House.

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FIRST REPORT.

THE SELECT COMMITTEE appointed "to inquire into the FINANCE and FINANCIAL ADMINISTRATION of INDIA," and who were instructed to consider and report whether the Indian Financial Year which now terminates on the 31st March, should be altered to the year ending on the 31st December, in order that the Secretary of State for India may be enabled to make his Financial Statement to the House before the Easter Recess;—HAVE made progress in the Matters to them referred, and have agreed to the following FIRST REPORT:—

THE practice of making the Indian Financial Statement appears to have been revived in 1853, when the President of the Board of Control, in submitting to the House the measure which subsequently became law, for improving the administration of the Government of India, proposed that the President should make an annual statement to the House on the finances of India. On the 9th of August of the following year, the House having resolved itself into a Committee of the whole House on the Accounts of the Indian Revenues for the year ending the 30th of April 1852, the President of the Board of Control made a comprehensive exposition of the financial condition and prospects of India, and concluded with moving a series of Resolutions recording the total amounts of the receipt and expenditure of the Government of India, of the several subordinate Governments, as well as of the Home Government, for the year ending 1852, a period of more than two years before the Resolutions were passed.

The same course was adopted yearly until 1857, when it was suspended; but in the meantime the completion of the annual accounts had been accelerated, so that the Committee of the House could consider those of the year preceding its appointment.

The transfer of the Government of India to the Crown then engaged the attention of Parliament, and the measures then adopted materially affected the relations of the House of Commons to the revenues of India. It was provided by the Act passed in 1858 that the expenditure of the revenues of India, both in India and elsewhere, should be subject to the control of the Secretary of State for India in Council, and no grant or appropriation of any part of such revenues or of any other property coming into the possession of the Secretary of State in Council, was to be made without the concurrence of a majority of votes at a meeting of the Council. In 1861 the powers of the Legislative Council of India were greatly extended, and the power of disallowing any laws which might be passed, was reserved to the Queen.

In 1860, a member of the Council of the Governor General was charged with the superintendence of the finances of India, and undertook the duty of making an annual statement of the condition of the Indian finances, and proposing in the Legislative Council such measures as might be necessary to provide for the public expenditure on account of the Government of India.

In the years 1859, 1860, and 1861, the Secretary of State made an exposition of the condition of the finances of India in proceeding with Bills for the purpose of raising taxes to meet the increase of expenditure which had been incurred in repressing the disturbances in India. It was not until 1862 that the practice

of the House resolving itself into a Committee of the whole House was resumed. In 1866 the general resolution recording the totals of the whole revenue and expenditure in England and in India was substituted for the several resolutions formerly passed by the Committee. In 1867, the period for which the accounts were made up, was changed from the 30th of April to the 31st of March, and the resolutions of the Committee of the House have since been passed upon the accounts for the financial year ending the 31st of March preceding the commencement of the Session.

The audited accounts on which the Resolutions of the House have been based have been accompanied by approximate accounts, known as the regular Estimate, for the following financial year; and in order to enable them to be revised at the close of that year, as well as to admit of the Secretary of State obtaining an estimate of the probable income and expenditure for the ensuing year, known as the Budget Estimate, and embracing it in his financial statement, it has been the practice to defer the financial statement in the House of Commons until after the month of April; but in consequence of the precedence given by successive Governments to other business, the time for the appointment of the Committee of the House has not been fixed before the last days of the Session. In 1871, in consequence of the repeated complaints at the lateness of the period when the affairs of India were brought under the notice of the House, the Under Secretary of State undertook to make his financial statement at the commencement of the Session, based upon the audited accounts for the year ending in March 1870, the estimated accounts for the year 1871, revised as far as was practicable, up to the 21st of February 1871, and on such further information respecting the financial policy for the ensuing year as could be obtained.

Your Committee are of opinion that no arrangement will prove satisfactory which does not admit of the appointment of the Committee on the Indian Accounts within the first three weeks of the Session, so as to afford adequate time for the discussion of Indian affairs without interfering with the other business which engages the attention of the House later in the Session; but it appears to your Committee that this object can be best attained by adhering to the course pursued by the Under Secretary of State in 1871, and they therefore recommend that there should be laid on the Table, and distributed to Members, on the opening of the Session, the audited accounts for the financial year ending on the 31st March preceding, together with the estimated accounts for the current financial year, revised as far as circumstances will admit, and that the House should resolve itself into a Committee on the accounts within three weeks after the commencement of the Session. These accounts, with such information respecting the financial condition of India as the Secretary of State may be enabled to communicate to the House, will no doubt be found sufficient to enable the Committee to discuss the state of the finances of India, and the administration of its affairs.

Entertaining these views, your Committee have deemed it undesirable to pursue an inquiry into the expediency of altering the period of the financial year in India. It cannot be doubted that such an alteration would be attended with inconvenience and embarrassment, and if the close of the year were altered from the 31st of March to the 31st of December, as suggested by the instruction to your Committee, there would be no efficient guarantee that the accounts for the year ending the 31st of December preceding the opening of the Session, or that the Estimates for the ensuing year would be laid upon the Table of the House at the commencement of the Session, without which no advantage would be gained by the proposed change. But whilst the House can, by altering its own arrangements, without inconvenience to itself, afford a sufficient opportunity for an adequate discussion on the finances and affairs of India, your Committee think it would be unreasonable to require that an important change should be made in the financial administration of India, and they do not, therefore, recommend that the Indian financial year should be altered to the year ending on the 31st of December.

PROCEEDINGS OF THE COMMITTEE.

Tuesday 29th April 1873.

MEMBERS PRESENT :

Mr. AYRTON in the Chair.

<p>Mr. Dalrymple. Sir T. Bazley. Mr. J. B. Smith. Lord E. Fitzmaurice. Sir G. Balfour. Mr. Eastwick. Sir Stafford Northcote. Mr. Bourke. Mr. R. Fowler. Mr. Crawford.</p>	<p>Mr. Cross. Mr. Birley. Sir C. Wingfield. Mr. Lyttelton. Mr. Fawcett. Mr. Hermon. Mr. Candlish. Sir J. Elphinstone. Mr. Cave.</p>
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Motion made, and Question proposed, That the Committee do now proceed to consider the Draft Report proposed by the Chairman.

Amendment proposed to leave out from the word "That," to the end of the Question, in order to add the words: "in order to comply fully with the instruction given to them by the House (to consider and report whether the Indian financial year should be altered to the year ending 31st December), the Committee shall hear the arguments that can be adduced for or against the expediency and practicability of the suggested change, and shall proceed to examine gentlemen now in England who have held high financial position in India, and ask the Secretary of State for India to favour them with his views, and those of the Government of India, on the subject"—(Sir C. Wingfield)—instead thereof.—Question put, "That the words proposed to be left out stand part of the Question."—The Committee divided :

<p style="text-align: center;">Ayes, 9.</p> <p>Sir D. Wedderburn. Mr. Dalrymple. Sir G. Balfour. Mr. Lyttelton. Mr. Eastwick. Sir Stafford Northcote. Mr. Bourke. Mr. R. Fowler. Mr. Fawcett.</p>	<p style="text-align: center;">Noes, 8.</p> <p>Sir T. Bazley. Lord E. Fitzmaurice. Mr. Grant Duff. Mr. Crawford. Mr. Cross. Mr. Birley. Sir C. Wingfield. Mr. Smith.</p>
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Main Question put, and *agreed to.*

DRAFT REPORT, proposed by the Chairman, read the first time, as follows:—

"The present practice of making the Indian Financial Statement appears to have originated in 1853, when the President of the Board of Control, in submitting to the House the measure which subsequently became law, for improving the administration of the Government of India, proposed that the President should make an annual statement to the House on the finances of India. On the 9th of August of the following year, the House having resolved itself into a Committee of the whole House on the Accounts of the Indian Revenues for the year ending the 30th of April 1852, the President of the Board of Control made a comprehensive exposition of the financial condition and prospects of India, and concluded with moving a series of Resolutions recording the total amounts of the receipt and expenditure of the Government of India, of the several subordinate Governments, as well as of the Home Government, for the year ending 1852, a period of more than two years before the Resolutions were passed.

"The same course was adopted yearly until 1857, when it was suspended; but in the meantime the completion of the annual accounts had been accelerated, so that the Committee of the House could consider those of the year preceding its appointment.

"The transfer of the Government of India to the Crown then engaged the attention of Parliament, and the measures then adopted materially affected the relations of the House

of Commons to the revenues of India. It was provided by the Act passed in 1858 that the expenditure of the revenues of India, both in India and elsewhere, should be subject to the control of the Secretary of State for India in Council, and no grant or appropriation of any part of such revenues or of any other property coming into the possession of the Secretary of State in Council, was to be made without the concurrence of a majority of votes at a meeting of the Council. In 1862 the powers of the Legislative Council of India were greatly extended, and a member of the Council of the Governor General who was charged with the duty of superintending the finances of India, was appointed a member of the Legislative Council for the purpose of making an annual statement of the condition of the Indian finances, and proposing in the Legislative Council such measures as might be necessary to provide for the public expenditure on account of the Government of India, the power of disallowing any laws which might be enacted being reserved to the Queen.

"It was not until 1862 that the practice of making an annual statement of the financial condition of India in a Committee of the House was resumed by the Secretary of State for India. In 1866 the general resolution recording the totals of the whole revenue and expenditure in England and in India was substituted for the several resolutions formerly passed by the Committee. In 1867, the period for which the accounts were made up, was changed from the 30th of April to the 31st of March, and the Resolutions of the Committee of the House have since been passed upon the accounts for the financial year ending the 30th of March preceding the commencement of the Session.

"The audited accounts on which the Resolutions of the House have been based have been accompanied by approximate accounts for the following financial year; and in order to enable them to be revised at the close of that year, as well as to admit of the Secretary of State obtaining an estimate of the probable income and expenditure for the ensuing year, and embracing it in his financial statement, it has been the practice to defer the financial statement in the House of Commons until after the month of April; but it has then been found impracticable, in consequence of the pressure of other business, to fix a time for the appointment of the Committee of the House before the last days of the Session. But in 1871, in consequence of the repeated complaints at the lateness of the period when the affairs of India were usually brought under the notice of the House, the Under Secretary of State undertook to make his financial statement at the commencement of the Session, based upon the audited accounts for the year ending in April 1870, the estimated accounts for the year 1871, revised as far as was practicable, and on such further information respecting the finances for the subsequent year as could be obtained.

"Your Committee are of opinion that no arrangement will prove satisfactory which does not admit of the appointment of the Committee on the Indian Accounts within the first three weeks of the Session, so as to afford adequate time for the discussion of Indian affairs without interfering with the other business which engages the attention of the House later in the Session; but it appears to your Committee that this object can be best attained by adhering to the course proposed by the Under Secretary of State in 1871, and they therefore recommend that there should be laid on the Table, and distributed to Members, on the opening of the Session, the audited accounts for the financial year ending on the 31st March preceding, together with the estimated accounts for the current financial year, revised as far as circumstances will admit, and that the House should resolve itself into a Committee on the accounts within three weeks after the commencement of the Session. These accounts, with such information respecting the financial condition of India as the Secretary of State may be enabled to communicate to the House, will no doubt be found sufficient to enable the Committee to discuss the state of the finances of India, and the administration of its affairs.

"It is, however, deserving of consideration, whether it is expedient to continue the practice of passing a resolution in Committee, recording merely the results of bygone accounts. Parliament having delegated to the Legislative Council of India the supervision over the receipt and expenditure of the Government in India as incident to its legislative functions, in providing the means required to meet the expenditure, the House of Commons is not called upon to record the results of the financial proceedings of the Governor General in Council; but the position of the Secretary of State for India in Council is entirely different. It appears that he has to perform the duty of dealing with public monies in this country, with the aid of his Council, amounting to upwards of 12,000,000 £ yearly, in regard to which they are subject to do control or supervision. It would therefore be more consistent with the proper functions of the House of Commons, that it should pass a resolution not merely recording the result of these accounts, but exercising some control over them. Your Committee therefore recommend that the resolution to be passed in the Committee on the Indian Accounts should be limited to the Home Accounts, stating the result of them, and expressing the approval of the Committee or any other opinion thereon.

"Entertaining these views, your Committee have deemed it undesirable to pursue an inquiry into the expediency of altering the period of the financial year in India. It cannot be doubted that such an alteration would be attended with inconvenience and embarrassment, and if the close of the year were altered from the 31st of March to the 31st of December, as suggested by the instruction to your Committee, there would be no efficient guarantee that the accounts for the year ending the 31st of December preceding the opening of the Session, &c. that the Estimates for the ensuing year would be laid upon
the

the Table of the House at the commencement of the Session, without which no advantage would be gained by the proposed change. But whilst the House can, by altering its own arrangements, without inconvenience to itself, afford a sufficient opportunity for an adequate discussion on the finances and affairs of India, your Committee think it would be unreasonable to require that an important change should be made in the financial administration of India, and they do not, therefore, recommend that the Indian financial year should be altered to the year ending on the 31st of December."

Draft Report proposed by the Chairman, read a second time, and considered paragraph by paragraph.

Paragraphs 1—5, amended, and agreed to.

Paragraph 5.—Amendments made.—Another Amendment proposed, to leave out the words "pressure of," in order to insert the words "precedence given by successive Governments to"—(Sir *Stafford Northcote*)—instead thereof.—Question put, That the words proposed to be left out stand part of the paragraph:—The Committee divided :

Ayes, 4.	Noes, 14.
Sir T. Bazley.	Mr. Hermon.
Mr. Grant Duff.	Sir D. Wedderburn.
Mr. Crawford.	Mr. Dalrymple.
Sir C. Wingfield.	Lord E. Fitzmaurice.
	Sir G. Balfour.
	Mr. Lyttelton.
	Mr. Eastwick.
	Sir Stafford Northcote.
	Mr. R. Fowler.
	Mr. Fawcett.
	Mr. Cross.
	Mr. Birley.
	Mr. Candlish.
	Mr. J. B. Smith.

Words inserted.—Paragraph, as amended, agreed to.

Paragraph 6.—Amendments made.—Question, That this paragraph, as amended, stand part of the proposed Report:—The Committee divided :

Ayes, 18.	Noes, 1.
Mr. Hermon.	Sir C. Wingfield.
Sir D. Wedderburn.	
Mr. Dalrymple.	
Sir T. Bazley.	
Lord E. Fitzmaurice.	
Sir G. Balfour.	
Mr. Lyttelton.	
Mr. Eastwick.	
Mr. Grant Duff.	
Sir Stafford Northcote.	
Mr. R. Fowler.	
Mr. Fawcett.	
Mr. Crawford.	
Mr. Cross.	
Mr. Birley.	
Mr. Candlish.	
Sir J. Elphinstone.	
Mr. J. B. Smith.	

Paragraph 7, agreed to.

Paragraph 8, agreed to.

Question, That this Report, as amended, be the First Report of the Committee to the House,—put, and agreed to.

Ordered, To Report.

[Adjourned till Friday next, at Twelve o'clock.

F I R S T
R E P O R T
FROM THE
SELECT COMMITTEE

EAST INDIA FINANCE;

TOGETHER WITH THE
PROCEEDINGS OF THE COMMITTEE

Upon TUESDAY, the 29th APRIL 1873.

Ordered, by the House of Commons, to be Printed,
2 May 1873.

S E C O N D R E P O R T

THE SELECT COMMITTEE appointed "to inquire into the FINANCE and FINANCIAL ADMINISTRATION of INDIA:"—HAVE made further progress in the matters to them referred, and have agreed to the following SECOND REPORT:—

1. Your Committee in their Report of the 18th of July 1871, observed that the evidence already taken had been chiefly derived from official sources; but they would be glad to receive the evidence of any inhabitant of India, whether of Indian or European extraction, who might desire to appear before them for the purpose of giving accurate and useful information which, by its comprehensive intelligence, might be likely to assist the Committee in their inquiries and future deliberations.

2. No witnesses attended before your Committee during the last Session in accordance with the intimation expressed in their Report; but at the commencement of this Session they received a communication from the Acting Honorary Secretary of the East India Association, pointing out the importance of obtaining native evidence from India, and stating that the Bombay and Poonah Native Association were prepared to depute a Native gentleman to give evidence before the Committee.

3. It appeared to the Committee, from these and other circumstances, that their desire to receive evidence from competent Natives of India might not be sufficiently known in India, or that some difficulties with which the Committee were not acquainted might have arisen which prevented Natives of India from coming to this country for the purpose of being examined, your Committee, in order that no misapprehension might exist in the minds of the native inhabitants of India respecting the desire of the Committee to receive evidence, deemed it expedient that steps should be taken by the British Government in India to make known their views, and they, in consequence, directed a letter to be sent to the Secretary of State for India in Council to call his attention to the intimation of the Committee of 1871, above quoted, to suggest to him the expediency of taking steps to make the views of the Committee generally known to those who were likely to respond to them, and to afford whatever facilities might be deemed necessary to enable them to do so.

4. The Secretary of State for India in Council replied, that a copy of the communication to him would be forwarded to the Government of India, with a request that measures might be taken in such manner as they might deem advisable to make the intimation of the Committee as widely known as possible in India. The Secretary of State in Council, however, was of opinion that few, if any, Natives of India would be induced to come to this country, unless some arrangement were made for the defrayal of their expenses, but he did not understand that the Committee recommended, nor could he approve of throwing on the resources of India the expenses of witnesses who might avail themselves of the Committee's invitation.

5. Your Committee, however, learnt with regret that the Governor General on receiving the communication from the Secretary of State for India had

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Mr. Stephen Cave.
Mr. Crawford.
Mr. Baring.
Mr. Fawcett.
Mr. Beckett Denison.
Sir Charles Wingfield.
Mr. Eastwick.
Mr. Dickinson.
Mr. Bourke.
Mr. Candlish.
Sir James Elphinstone.
Mr. Lyttelton.
Mr. Birley.
Sir David Wedderburn.

Mr. Beach.
Sir Thomas Bazley.
Mr. Hermon.
Mr. M'Clure.
Mr. Cross.
Mr. John Benjamin Smith.
Mr. Grant Duff.
Mr. Robert Fowler.
Mr. Haviland-Burke.
Mr. Charles Dalrymple.
Sir Stafford Northcote.
Lord Edmond Fitzmaurice.
Mr. Baillie Cochrane.
Sir George Balfour.

Ordered, THAT the Committee have power to send for Persons, Papers, and Records

Ordered, THAT Seven be the Quorum of the Committee.

Friday, 21st March 1873.

Ordered, THAT Mr. Campbell-Bannerman be added to the Committee.

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Ordered, THAT it be an Instruction to the Committee to consider and report whether the Indian financial year which now terminates on the 31st March, should be altered to the year ending on the 31st December, in order that the Secretary of State for India may be enabled to make his Financial Statement to the House before the Easter Recess.

Friday, 2nd May 1873.

Ordered, THAT the Committee have power to report their Observations from time to time to The House.

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PROCEEDINGS OF THE COMMITTEE.

Friday, 25th April 1873.

MEMBERS PRESENT :

Mr. AYRTON in the Chair.

Sir C. Wingfield.	Mr. Eastwick.
Sir T. Bazley.	Mr. Bourke.
Sir D. Wedderburn.	Mr. Cave.
Lord E. Fitzmaurice.	Mr. Dalrymple.
Mr. J. B. Smith.	Sir G. Balfour.
Mr. Grant Duff.	Mr. Beach.
Mr. Birley.	Mr. McClure.
Mr. Fawcett.	Mr. Cross.

... cleared.—The Committee deliberated.

...ion made, and Question put, That the following Resolution be now considered, the expenses of such witnesses as may be approved of by the Committee, and may be requested to come from India to give evidence before the Committee, should be borne by Public Funds"—(Sir T. Bazley).—The Committee divided :

Ayes, 14.	Noes, 2.
Mr. Hermon.	Mr. Grant Duff.
Sir T. Bazley.	Sir Stafford Northcote.
Mr. J. B. Smith.	
Lord E. Fitzmaurice.	
Sir G. Balfour.	
Mr. Bourke.	
Mr. R. Fowler.	
Mr. Fawcett.	
Sir D. Wedderburn.	
Mr. Dalrymple.	
Mr. Birley.	
Sir C. Wingfield.	
Mr. Beach.	

...ion made, and Question proposed, "That the expenses of such witnesses as may be approved of by the Committee, and may be requested to come from India to give evidence before the Committee, should be borne by Public Funds"—(Sir T. Bazley).—Amendment proposed, at the end of the Question, to add the words, "and should be paid out of the Public Funds of the United Kingdom"—(Mr. Fawcett).—Question proposed, That those words be added.—Whereupon Amendment proposed to the proposed Amendment, to substitute the words "United Kingdom," in order to add the word "India"—(Mr. Fawcett).—Instead thereof.—Question put, That the words, "United Kingdom," stand as in the said proposed Amendment.—The Committee divided :

Ayes, 13.	Noes, 3.
Mr. Hermon.	Mr. Grant Duff.
Sir T. Bazley.	Mr. Bourke.
Lord E. Fitzmaurice.	Mr. J. B. Smith.
Sir G. Balfour.	
Mr. Eastwick.	
Sir Stafford Northcote.	
Mr. R. Fowler.	
Mr. Fawcett.	
Sir D. Wedderburn.	
Mr. Dalrymple.	
Mr. Birley.	
Sir C. Wingfield.	
Mr. Beach.	
... added.	

Another Amendment proposed, after the words "United Kingdom," to add the words "and India jointly"—(Mr. Hermon).—Question put, That those words be there added.—The Committee divided:

Ayes, 3.
Mr. Hermon.
Mr. J. B. Smith.
Mr. Eastwick.

Noes, 13.
Sir T. Bazley.
Lord E. Fitzmaurice.
Sir G. Balfour.
Mr. Grant Duff.
Sir Stafford Northcote.
Mr. Bourke.
Mr. R. Fowler.
Mr. Fawcett.
Sir D. Wedderburn.
Mr. Dalrymple.
Mr. Birley.
Sir C. Wingfield.
Mr. Beach.

Another Amendment proposed, after the words "United Kingdom," to add the words "to an amount not exceeding 10,000 l."—(Mr. Hermon).—Question, That those words be there added,—put, and *agreed to*.

Main Question, as amended, put.—The Committee divided:

Ayes, 13.
Mr. Hermon.
Sir T. Bazley.
Mr. J. B. Smith,
Lord E. Fitzmaurice.
Sir G. Balfour.
Mr. Eastwick.
Mr. R. Fowler.
Mr. Fawcett.
Sir D. Wedderburn.
Mr. Dalrymple.
Mr. Birley.
Sir C. Wingfield.
Mr. Beach.

Noes, 3.
Mr. Grant Duff.
Sir Stafford Northcote.
Mr. Bourke.

Resolved, "That the expenses of such Witnesses as may be approved of by the committee, and may be requested to come from India to give evidence before the Committee, should be borne by Public Funds, and should be paid out of the Revenues of the United Kingdom, to an extent not exceeding 10,000 l."

Friday, 9th May 1873.

MEMBERS PRESENT:

Mr. AYRTON in the Chair.

Mr. Denison.
Mr. Hermon.
Sir T. Bazley.
Mr. J. B. Smith.
Sir J. Balfour.
Mr. Candlish
Mr. Cross.
Mr. Fowler.
Sir D. Wedderburn.
Mr. Birley.
Mr. Dickinson.

Sir C. Wingfield.
Mr. Baillie Cochrane.
Mr. Grant Duff.
Mr. Fawcett.
Mr. Lyttelton
Mr. Beach.
Mr. Eastwick.
Mr. Bourke
Mr. Cave.
Mr. Campbell-Bannerman.

DRAFT REPORT proposed by Sir T. Bazley, read the first and second time, and *agreed to*.

Question, That this Report, as amended, be the Report of the Committee to—put, and *agreed to*.

Ordered, To Report.

A P P E N D I X.

CORRESPONDENCE referred to in the SECOND REPORT of the COMMITTEE.

Appendix.

LETTER from the Secretary of the East India Association to the Chairman of the
Select-Committee.

20, Great George-street, Westminster.
London, 8 February 1873.

Sir,
I AM directed by the Council of the East India Association to solicit your attention to the following circumstances:

When the Finance Committee of the House of Commons was first appointed, the members of the East India Association hailed the measure with unmixed satisfaction, believing that the Government had adopted the best method of placing on record complete evidence of the working of the Indian Administration in its practical details.

They assumed at that time that the attendance of a sufficient number of able and experienced native witnesses would be secured, and they unfortunately did not foresee any especial difficulties in carrying out this object.

To their great regret, however, they find a complaint made in India that the labours of the Committee are likely to prove comparatively fruitless for want of such native evidence, although there is a strong feeling of gratitude for the work it has done with the means at its command.

The complaint is expressed by the Bombay Association in the following terms:—

“The Parliamentary Select Committee on Indian Finance have been engaged in taking evidence chiefly regarding the land revenue, forest conservancy, taxes, customs, and excise duties, and receipts from telegraph and other miscellaneous sources. Thirty-four witnesses were examined, of whom 28 were Government servants, and six non-official witnesses, of whom only one was a native of India. The character of the evidence that has been given before the Committee is, for the most part, such as to demonstrate the necessity of adducing independent non-official evidence. Most of the witnesses have clearly exhibited a bias in favour of Government, and have therefore given testimony in favour of the administration of affairs as conducted at present by Government authorities. The want of independent, impartial, and unbiassed testimony is greatly to be deplored, as it may possibly prevent the Select Committee from reporting the real state of matters as they exist in India under the present administration.”

And a member of the Indian Finance Committee has, in consequence of this complaint, reminded the East India Association that in their First Report “the Indian Finance Committee expressed a wish that the natives of India should come forward to give their opinions to the Committee,” adding the expression of his hope, “that the East India and other Associations of India, who have hitherto neglected this invitation, will be prepared to bring forward intelligent natives to give evidence before the Committee this Session,” concluding that this Association “must feel, if they fail to do so they will have no just cause to complain that your neglect may possibly prevent the Select Committee from reporting the real state of matters as they exist in India under the present Administration.”

The East India Association regret that no Native evidence has been obtained in this country, but they are informed that the Bombay and Poona Native Associations are prepared to depute Mr. Nowrojee Furdoonjee to this country to appear before the Committee, and I am to ask whether, if he comes over, the Committee will allow him to give evidence on all matters relating to revenue, taxation, and expenditure on which evidence has already been taken in the last and previous Sessions.

I have, &c.

(signed) *W. C. Palmer*, Captain,

Acting Hon. Secretary.

To the Right Hon. Acton Smee Ayrton, M.P.,
&c. &c. &c.

Chairman of the Indian Finance Committee.

Appendix.

LETTER from Mr. Stone, Clerk of the Committee, to the Secretary of the East India Association.

Sir, House of Commons, 17 February 1873.

I AM directed by the Select Committee on East India Finance, to acknowledge the receipt of your letter dated 8th February, and in reply to inform you that the Committee will be happy to receive the evidence of any Native gentleman who may be deputed to give important information upon the subjects under the consideration of the Committee.

To Captain Palmer, &c., &c.

I have, &c.
(signed) Geo. J. Stone.

LETTER from Mr. Stone, Clerk of the Committee, to the Under Secretary of State for India.

Sir, House of Commons, 18 February 1873.

I AM directed by the Select Committee appointed "to inquire into the Finance and Financial Administration of India," to call the attention of the Secretary of State for India in Council to the following paragraph in the Report of the Select Committee on the same subject, presented to the House in the year 1871: "It will be observed that the evidence already taken has been chiefly from official sources, but your Committee would be glad to receive the evidence of any inhabitant of India, whether of Indian or European extraction, who may desire to appear before them for the purpose of giving accurate and useful information, which by its comprehensive intelligence may be likely to assist the Committee in their inquiries and future deliberations." The Committee regret to find that no natives of India have availed themselves of this intimation to come before them for the purpose of giving evidence, and that they have not received any communication on the subject, except an application in the present Session from the East India Association, of which they desire me to forward you a copy, together with their reply thereto, for information of the Secretary of State.

It appears to the Committee, from these and other circumstances, that their desire to receive evidence from competent Natives of India may not be sufficiently known in India, or that some difficulties with which the Committee are not acquainted, may have arisen which prevent the Natives of India from coming to this country for the purpose of being examined; the Committee therefore direct me to request that the Secretary of State will be good enough to call the attention of the Governor General to the intimation of the Committee of 1871, above quoted, and to suggest to his Excellency the expediency of taking steps to make the views of the Committee generally known to those who are likely to respond to them, and to afford whatever facilities may be deemed necessary to enable them to do so.

I am at the same time desired to point out that it would tend to afford the Committee the best means of judging of systems of Indian Finance if Native witnesses could come before the Committee who have had experience in administering the finances of important Native States, as well as those who are conversant with the systems pursued in the territories directly under British administration.

The Under Secretary of State
for India.

I have, &c.
(signed) Geo. J. Stone.

LETTER from Mr. Herman Merivale to Mr. Stone.

Sir, India Office, S.W., 6 March 1873.

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 19th ultimo, and to acquaint you in reply that a copy of your letter, with its enclosures, will be at once forwarded to the Government of India, with a request that measures may be taken, in such manner as they may deem advisable, to make the intimation of the Committee as widely known as possible in India.

The Secretary of State for India in Council is, however, of opinion that few, if any, Natives of India will be induced to come to this country unless some arrangement be made for the defrayal of their expenses; but he does not understand that the Committee recommends, nor could the Secretary of State approve of throwing on the revenues of India the expenses of witnesses who may avail themselves of the Committee's invitation.

G. J. Stone, Esq.

I am, &c.
(signed) Herman Merivale.

COPY of TELEGRAM from the Viceroy, received 10th April 1873.

Witnesses for Committee: suggest that announcement should not be made, as it would be ill received unless expenses are paid. Committee might circulate questions.

Appendix.

LETTER from Mr. Stone, Clerk of the Committee, to the Secretary of the Treasury.

Sir,

House of Commons, 25 April 1873.

I AM directed by the Select Committee on East India Finance to request that you will bring under the consideration of the Lords of the Treasury that, in order to give effect to their wishes to examine natives of India, the letter, of which a copy accompanies this, was addressed by me, by their direction, to the Secretary of State for India, requesting that steps might be taken to make their wishes known in India; to which a reply, also accompanying, was received, stating that, in his opinion, "few, if any natives of India will be induced to come to this country unless some arrangement be made for the defrayal of their expenses; but he does not understand that the Committee recommends, nor could the Secretary of State approve of throwing on the Revenues of India the expenses of witnesses who may avail themselves of the Committee's invitation."

The Secretary of State has now communicated to the Committee the opinion of the Governor General, the announcement desired by the Committee should not be made, as it would be ill received unless the expenses of the witnesses are paid.

The Committee, having taken these circumstances into their consideration, have come to the following Resolution, which they have directed me to forward, in the hope that their Lordships will be good enough to concur in their opinion, and provide the amount which may be required to pay the expenses of the witnesses, within the prescribed limits.

Resolved, That the expenses of such witnesses as may be approved of by the Committee, and may be requested to come from India to give evidence before the Committee, should be borne by public funds, and should be paid out of, the revenues of the United Kingdom, to an extent not exceeding 10,000 *l*.

To the Secretary of the Treasury,
&c. &c. &c.

I have, &c.
(signed) *Geo. J. Stone.*

LETTER from Mr. W. Law, C.B., to the Chairman of the Committee.

Sir,

Treasury Chambers, 1 May 1873.

I AM desired by the Lords Commissioners of Her Majesty's Treasury to acquaint you, that they have had under consideration Mr. Stone's letter of 25th ultimo, enclosing copy of a Resolution of your Committee:

"That the expenses of such witnesses as may be approved of by the Committee, and may be requested to come from India to give evidence before the Committee, should be borne by public funds, and should be paid out of the revenues of the United Kingdom, to an extent not exceeding 10,000 *l*."

I am to express to you their Lordships' regret that they would not feel justified in agreeing to the proposed expenditure from Imperial funds.

To the Chairman of the
Select Committee of the House of Commons
on East India Finance.

I am, &c.
(signed) *William Law.*

SECOND
REPORT
FROM THE
SELECT COMMITTEE
ON
EAST INDIA FINANCE;
TOGETHER WITH THE
PROCEEDINGS OF THE COMMITTEE
Upon FRIDAY, the 25th APRIL, and FRIDAY, the 9th
May, 1873,
AND
APPENDIX.

*Ordered, by The House of Commons, to be Printed,
9 May 1873.*

THE RELATION
BETWEEN
GOVERNMENT AND THE CIVIL FUNDS.

BEING
A NOTE BY JAMES WESTLAND, Esq., B.C.S., DATED MAY 1874.

THE RELATION BETWEEN GOVERNMENT AND THE CIVIL FUNDS.

Government assistance originally had reference to charitable purposes of the funds.

In the early days of the Civil Funds,—the days when all the privileges and donations which they now enjoy were settled between the Directors on the one hand and the services on the other,—the charitable nature of the funds was continually put forward as the justification of the demands which the services made for support on the part of the Honorable Company.

2. The earliest papers of the Madras Fund describe it as instituted for “the special purpose of providing and securing decent subsistence for the widows and children of such civil servants * * as might die in circumstances of indigence and distress.”* “Its object,” says another document, “was exclusively charity, providing for the relief of families of subscribers who might die in circumstances of distress, and for the relief of subscribers whose ill state of health might render necessary a change of climate,” when no such things as leave rules and leave allowances were known.

3. We have not a copy of the earliest application from Madras to the Directors for support by way of donation; but when the Directors granted the donation (Despatch of 4th March 1789); they said, “its continuance would depend upon the proper application of the fund for the purposes of its institution,” and demanded to have an annual account transmitted.

4. Similarly, in Bengal, at the first institution of the fund, the countenance and support of the Directors was solicited on the ground that the object of the fund was “the relief of distress, the provision for the widow, the orphan, and the sick and infirm.”

5. The Bombay Fund also was instituted for similar objects, and a donation from the Company was asked for and obtained.

6. The funds, therefore, were all charitable funds in their inception, and it was with reference to the approval of the charitable objects that the Company’s annual donation was given.

7. In 1812, when the interest on the Company’s debt was reduced from 8 per cent. to 6 per cent., and exchange became less favorable than it used to be, the Madras Fund first asked for a guarantee of favorable rates, again calling to mind the nature of the benefits which the fund secured to the service, although in this case they referred to the “securing an honorable competence” for retired members (*viz.*, the annuity of £400 a year) as well as to the provision for widows. And again the Directors, intimating their approval of the objects of the fund, consented to the grant. The two other funds followed suit shortly after.

8. By the year 1832 these donations had begun to mount up higher than was the original

intention of the Directors. They began considering their position and wrote in the Despatch 46 of 1832 :—

“ Considering that the objects for which these institutions provide are the servants of the Company in straitened circumstances, their destitute widows and orphans, we forbear from directing the adoption of any measure which would have the effect either of reducing the rate of pension and other allowances granted by the several funds.”

9. But they directed that the amount should be separately shown as donation, and not as interest and as exchange, and concluded :—

“ We desire that you will inform the trustees of the several funds that we cannot engage to continue to an indefinite extent either as to time or amount, a mode of assistance which has so far exceeded what we contemplated when it was first granted.”

10. In these days the pensions in all the funds were limited by what was called the property clause. Widows got £300 a year, and children had allowances up to a certain age, rising from £30 to £100. But the amount was in all cases limited by the income which the pensioner independently might possess. This was the provision which made the funds distinctively charitable. They did not provide annuities for everybody ; but only provided for cases where the widows' or orphans' income was less than a certain amount.

11. Accordingly, when the Directors discovered in 1842 that both the Madras and the Bombay services had been revising their funds and collecting additional subscriptions to give pensions independently of the property-restriction clause, they intimated that they would have nothing to do with such provisions. The following is their order :—
Despatch No. 4 of 1839, to Madras :—

“ The extension of the grant of annuities of £300 each, to all widows, without reference to their circumstances, involves an essential departure from the principles upon which the fund has hitherto been conducted. We have largely contributed in furtherance of the benevolent purposes which were the original objects of the fund, and it behoves us to take care that the security of those objects is not endangered by uniting them with any others of a different character.”

12. They demanded, therefore, to be satisfied that the extension of the objects of the fund would not trench “ upon the ability of the fund to meet the claims of those for whose relief it was originally instituted ;” and “ if such satisfaction can be afforded, we shall not refuse to continue the task of making the required deductions (*i. e.*, of collecting subscriptions), and in this case interest will be allowed upon them at the rate of 4 per cent. per annum. But it is to be distinctly understood that this is the only additional pensionary assistance which this fund will receive from us in consequence of these new measures.”

13. And again, Despatch No. 7 of 1842 :—

“ Looking at the large sums annually contributed by the Company in support of the *charity* branch, we must decline to depart from the decision communicated to you in our letter, dated the 19th March 1839, which limits the rate of interest to be allowed on the widows' new fund to 4 per cent.”

The “ *charity* branch ” was the name given by the Madras service to the original part of the fund, and the “ widows' new fund ” to the additional subscriptions levied to provide pensions unrestricted by private property.

14. Similar orders were conveyed to Bombay. Despatch No 6 of 1842 :—

“ We find that you allow 8 per cent. interest upon the whole of the balance and subscriptions” of the fund. “ To this we object, as part of those subscriptions consists of the increased rates levied under the revised regulations (which we have not recognized) for extending advantages. We must therefore decline to allow a higher rate of interest than 4 per cent. on the new subscriptions, raised for securing to widows an annuity of £300, without reference to property.”

And to Bengal, Despatch No. 6 of 1851 :—

“ We can only allow 4 per cent. interest upon the additional subscriptions required for the new objects of the fund, if such objects should be carried into execution with our sanction.”

15. We see, therefore, in all three funds, that the grant of 8 per cent. interest, the chief donation and privilege of the funds, was distinctly connected with, and limited to, the “ charitable” objects of the fund ; that is, the securing to widows and children from want or distress: £300 a year for a widow, and £30 to £100 a year, according to age, for a child, was considered to be a suitable provision, and so long as the funds confined themselves to making up to this amount the income of the widows and children, they were regarded as serving the purposes for which the interest was given. But as soon as they proposed to step beyond it, or rather to collect additional subscriptions for the purpose of giving larger allowances, namely, for giving £300 a year to widows and £30 to £100 a year to children, *in addition to private property*, the Directors pointed out that these objects were outside the grant, and refused to support them to the extent to which they were in excess of the original objects.

The donation necessarily became greater and greater.

16. The principal donation to the funds took the form, as we have said, of a privileged rate of interest ; so that it was not fixed in amount, but would necessarily increase if the capital of the funds increased. Now there was one point in which it was necessary that the measure of the donation-interest should extend itself. When the funds were first started, they took the place of a system of private subscriptions, whose object was to help out of India widows left destitute in it. Members of the service then paid their subscriptions for the benefit of earlier members' widows, and did not, in the first place, lay them up for the benefit of their own. But this last object supervened on the former, and strong resolutions were passed (which in Madras and Bombay were carried out, and in Bengal, for a long series of years, were not carried out,) whose object was to secure that over and above the out-goings by current expenditure, a sum should be also laid up for the ultimate benefit of widows of the actual subscribers also. This measure had the distinct approval of the Directors. There was a little demur on their part, in 1832, at the rising amount of their expenditure on privileged interest ; they always expressed their approval by the objects of the fund, and their determination, that the fund should be made able to meet those objects. Up till 1850 at least, they both desired to have, and received, such information as was available regarding the financial position of the fund ; and this was in the earlier days at least, given in the form of a forecast of accounts for a long series of years, whose express object was to show that the

capital would gradually increase up to a point where the out-goings would equal the in-comings, and at which (as it was erroneously assumed) the fund would become stable and permanent. In the case of the annuity funds, in 1824, a long forecast of this nature, made by the Directors themselves, was the foundation of the whole plan of annuities to civil servants. So that in all these it is abundantly evident that the Directors did not limit their idea of the fund to a small accumulation continually passing out in the form of payments to widows as soon as it was received in the form of subscriptions from members. It was their express desire that an accumulation should also be made for future payments to the widows of the subscribers when they also should die, and the grant of privileged interest was made, or at least continued, with reference to this idea.

17. Of course, the notions, both of the Directors and of the members of the funds, in those earlier days, were rather vague on the question what amount of accumulation was necessary. Their nearest approach to an actual definition of it was in a Despatch of 25th April 1856, when they were writing about the new scheme in Bengal, and said that the accumulated balance of the fund should be equal to the amount of incumbent, and half the amount of contingent liabilities. However, the amount of accumulation, which is necessary and advisable for any given measure of benefits, is a thing that can be accurately and precisely defined by actuarial inquiry. The amount of accumulation required was probably more than the Directors had in view when they sanctioned the high rate of interest, but still it was impossible to object to the application of strict actuarial principles to define that which they had already distinctly sanctioned and even ordered, although without any but a very vague definition of the extent to which it ought to be carried out.

Question of its limitation with reference to the original scale of benefits.

18. We have, therefore, in our examinations of the funds, adopted what we believe to be the only possible interpretation, that when the Directors sanctioned privileged interest upon funds instituted for the purpose of securing a certain scale of pensions, and desired that subscriptions should be levied and accumulations made, so as to render such provision secure, the privilege must necessarily be interpreted in favour of the funds, as applying to that extent of accumulation which, according to actuarial principles, is necessary and proper to secure the sanctioned amount of provision, even though there is no doubt that it considerably exceeds the amount which the Directors had in view at the time when they first gave their sanction. This is the only admissible sense in which we can apply an accurate definition to the rather vague ideas and measures of accumulation which prevailed at the time when these matters were under discussion and consideration.

19. So far then as regards the principles by which, with reference to a given sanctioned scale of benefits, the funds can legitimately claim that they are at liberty to make accumulations, and to claim the high rate of interest upon them. Whatever amount it was proper, according to these principles, to accumulate, in order to secure payment of pensions on the scale, with reference to the provision of which the high interest was sanctioned,

upon that amount 8 per cent. could, under the original sanction, be claimed. Whether it could be claimed on accumulations beyond this point, is not part of the question of accumulation *with reference to a given scale of benefits*; if such accumulations are willingly made without any corresponding increase of benefits, it is an act of managerial madness—dead loss to the members of the fund; and if they are accompanied by corresponding increase of benefits, the subject is part of the question whether under any circumstances an increase of benefits can be admitted within the terms of the privilege.

Question with reference to extended scale.

20. This question, therefore, we now take up and it arises thus in all three funds. The rate of subscription which was instituted, and upon the accumulations of which the Directors agreed to give 8 per cent. interest, proved ultimately more than sufficient to secure the payment of pensions on the scale, with reference to which the 8 per cent. was given; and the accumulations therefore became, or would have become, more than what we have stated above as the proper amount. What under these circumstances was to be done?

21. To keep on making still greater accumulations is certainly improper from every point of view. First, it is opposed to the interest of the members themselves, as shown in the following extract from the examination of the Bombay Fund (Article II) :—

12. Now, let us suppose that the subscriptions are more than are adequate to procure the benefits. In this case, the course is again unavoidable; you must modify the constitution of the fund, either by reducing the subscriptions or by extending the benefits. If this is not done, the consequence must be that there will be a surplus in the fund; and this surplus must mount up year by year without limit. The surplus ultimately can be utilized only in two ways—it may either be returned to the members who have subscribed it, a process which is tantamount to a reduction of subscriptions, or it may be spent in the same way as the fund is spent, a process which is tantamount to an extension of benefits. Of course you may adopt a third course and throw it into the sea, but that is not a course likely to be recommended by those interested. It is plain, therefore, that, when it is found that the subscriptions are more than enough for the benefits, you must either reduce the subscriptions or extend the benefits.

13. Here, again, we must examine whether this modification ought to be made the moment the necessity for it is discovered, or whether it can be put off till a future time. In the first place, it is evident that for every day you put it off, a surplus will accumulate in your hands. We will suppose, therefore, that you do put off the modification, and, as a necessary consequence, that when you come to make it you find a surplus in your hand. This surplus can, as explained above, be utilized only in two ways—you can use it to reduce the subscriptions, so that when you make the modification you can prescribe a rate of subscriptions lower than what would otherwise be adequate (the deficiency being made up by an application of the surplus), or you may use it to increase the benefits above the amount which otherwise the subscriptions would be sufficient for. If you adopt the first of these courses, it is plain that you are using the excessive subscriptions of previous years' subscribers to diminish the necessary subscriptions of present subscribers—a process which amounts to a transfer of money from the pockets of previous subscribers to the pockets of present subscribers—a manifestly unjust measure. If you adopt the second course, you are using the excessive subscriptions of previous subscribers (or, which is the same thing, the amount by which you have diminished the benefits of previous beneficiaries) to increase the benefits of present beneficiaries—a process which equally amounts to an unjust transfer.

14. It is plain, therefore, that when you come to make the modification and find the surplus in your hands, you cannot stop at using it to diminish subscriptions or increase benefits from the time when you make the modification; but you must also, to prevent that which is in effect an unjust transfer from one set of persons to another set partially or wholly different, use a certain portion of the surplus, so that the previous subscribers, or the previous beneficiaries, may have an equal share of the benefit derived from it.

15. A modification so made is simply a modification made at a future time, so as to come into full effect from a past time, and thus, if you put off making the modification, after you have found it to be mathematically necessary, the only result is that, when you make it, you must make it to take effect from the time when the surplus first began to accumulate; in other words from the time when you found the modification was called for. So that if you put off the adjustment till a future time, you only cause a large amount of complicated derangement, which must be undone when you come to make it, because you have to make it so as to take effect from a past time.

22. In the second place it is distinctly improper, with reference to the grant of privileged interest, as shown in the following extract from the same paper (Article III) :—

20. A matter of some importance requires here to be noticed. We showed in the last article that when the subscriptions were more than adequate to procure the benefits, it was necessary to *immediately* make an adjustment of them. This rule of management becomes still more imperative in the case of a fund having a privilege as to interest; for, if any accumulation of capital is permitted beyond what is just and proper, a great injustice is committed towards the granter of the privilege. The object of the privilege must be borne in mind; it is the enabling certain subscriptions to procure certain benefits. If the subscriptions are too high for these benefits, or, in other words, if the benefits are allowed to remain less than the subscriptions can procure, the result is, as has before been shown, an accumulation of capital; and this accumulated capital, we have shown, can be utilized only in some such way as the following :—

- (a). Given back to subscribers, or to other persons;
- (b). Applied to reduce subscriptions in future;
- (c). Applied to enhance benefits in future.

21. In the first place, it is easily seen that the amount which is given back is not only the amount of the subscriptions which have been paid in excess over what was required, but it is the amount of these subscriptions together with accumulated privileged interest. This is plainly using the privilege for a purpose for which it was never intended.

22. In the second case, the objection is of much the same nature; the amount of capital which will be used to reduce subscriptions in future is not only the amount which has been subscribed, but it is that amount plus the donations of high interest. It is plain that this is also an abuse of the privilege, and that the members of the fund have no right thus to use the proceeds of the donation than they have to pay their own subscriptions ten years in advance, so that they might, by the ten years' accumulation of privileged interest, obtain more benefit from them. The two cases are quite analogous; for high subscriptions paid now, in order that future subscriptions may be lessened, are no more than subscriptions partly paid in advance.

23. In the third case, the donation is equally abused. It is a case of expenditure saved in present cases, in order that the expenditure made in future cases might be greater; and it is plain that you will use to increase the expenditure in future cases not only the amount saved from present expenditure, but that amount plus the accumulated donation upon it. This is also an abuse of the donation; for, if the donation is in any way applicable to the procurement of enhanced benefits (on the supposition of the subscriptions being adequate to such enhancement), it is equally applicable to procure enhancement of present benefits and of future, and therefore to refuse to enhance present benefits in order that, by the assistance of the donation, you may increase the amount by which you can enhance future benefits, is to use the donation for a purpose quite foreign to that for which it was intended.

23. It is improper then to continue making greater accumulations when you discover that the

subscriptions are too great for the scale of benefits ; you are called upon at once to make an adjustment by enhancing benefits or by reducing subscriptions.

24. We have said that the circumstances noted arose in all the funds ; the subscription upon which interest was granted, was more than was required, in the sense in which an actuary uses the words, for the benefits for the procuring of which they were granted ; and it therefore became necessary to adjust subscriptions and benefits, either by reducing the former, or by enhancing the latter. The question then arises, how far the privilege still holds good in the funds thus modified ? and on this question we wrote, in the examination of the Bombay Fund, (Article II) as follows :—

17. If the subscription be reduced, the privilege will still hold good, for the case is still within the words and within the purpose of the original grant. A promise of aid, measured by a one per cent. subscription for the purpose of attaining a certain purpose, clearly implies the continuance of the aid, measured by a lower rate of subscription, if the lower rate is all that is necessary to attain the purpose in question.

18. If the benefits are enhanced, will the privilege still hold good ? This seems to some extent doubtful. The grantors of the privilege might clearly claim the right to reduce the measure of the privilege, when it was proved to be more than sufficient for the purpose it was intended to accomplish. At the same time, this right never has been claimed, and it was not contemplated at the time the paragraph was written, which has above been quoted from the Despatch of 15th November 1826.* On the contrary, seeing that the concession in question was made with reference to the balance of the fund formed by one per cent. subscriptions, and that the management of the fund has practically been left to the subscribers, all interference by Government having ceased, it is reasonable to say that the Government intends that its donation should be granted upon the one per cent. subscription fund, even though the benefits for which it is made available be somewhat increased (provided, of course, that the principle regulating these benefits is the same). This conclusion is consistent with the Despatch of 30th March 1842, quoted above,† and it is also consistent with another Despatch, No. 85 of 16th June 1864, referred to above, which permitted an extension of certain benefits, provided the financial position of the fund afforded it.

19. On these grounds we seem to be warranted in adopting the view which is most favorable to the fund,—namely, that if the privileged subscriptions remaining the same, the benefits of the fund are extended, continuing, however, to be regulated on the same principle, the privilege will still hold good.

25. The truth is, that the question is one which has never been distinctly raised and settled.

26. In the Bombay and Bengal Funds, all the extension of benefits that took place, so far as the original 8 per cent. capital is concerned, was the removal of the property-restriction ; that is to say, the pensions which were originally given, subject to deduction on account of property independently held, were given in full. Of course, this destroyed the "charitable" nature of the funds, so far, because the pensions were now given, whether they were actually required to save the widows and orphans from "destitution" or not ; but the principle of limiting one's claims on the fund by the fruits of one's own prudence was a manifestly objectionable one in many ways, and it was natural enough that it should be abandoned by all three funds. In other papers we have shown, by experience based on the history of the Bombay Fund, that the privileged subscriptions to it are just about sufficient to maintain the pensions on the restricted scale ; and we

Amount of extension.

* In which the Directors the rate of subscription ↓

† See paragraph 14 of ↑

tion of increasing

have separately shown, partly by the experience of the Bengal Fund, and partly by calculation, that the privileged subscriptions to it can bear about four-fifths of the unrestricted pensions in it. What proportion can be afforded at any particular time, is a very simple matter to calculate; the question becomes complicated only when it is calculated how much, if certain circumstances are allowed to continue indefinitely, may ultimately be afforded.

27. In neither of these two funds, therefore, has the scale of benefits, to which the privileged funds have been applied, been enhanced beyond the original money scale, except inasmuch as the property-restriction has been withdrawn, so that the full scale is now given in every case.

28. It is perhaps unnecessary to discuss whether the Government could now step in, and say that it declined to give 8 per cent. upon the amount of subscription upon which it had originally sanctioned it, because it was now shown that that amount was more than sufficient to procure the scale of benefits as limited by the original property-restriction. It is possible, if it pushed things to the utmost, that it might restrict the 8 per cent. to so much of the subscriptions and accumulations, as are required for the equivalent of the restricted scale, and leave the rest to be procured by unprivileged subscriptions. At the same time I do not think that it would ever really do so, and I think the justice, as well as the expediency of its doing so, might be open to doubt. The Government has, as a matter of fact, accepted, and, so far as it was concerned, approved, the removal of the restriction in the case of all three funds, making only the stipulation that the *additional* subscriptions required should not bear 8 per cent., and saying nothing whatever about restricting the 8 per cent. to that part of the old subscriptions which was shown to be necessary for the old restricted scale. Moreover, after the unrestricted scale of benefit had, with its approval, been adopted both in Bombay and in Bengal, it was declared in the Secretary of State's Despatch of 25th November 1862, that there was "no intention of withdrawing the aid which has been hitherto granted." So that a withdrawal now on the grounds stated would be a reversal of a policy declared by Government which has naturally guided the services in their administration of the funds.

Enormous extension imminent in Madras.

29. But in the case of the Madras Fund, an altogether new question will now be raised. They are bound at the present moment, in justice to themselves and in justice to Government (see the extracts above quoted, paragraphs 21 and 22), to make some enormous extension of their benefits. The Government has on certain grounds to which we will hereafter make allusion a claim on the Madras Fund that it should reduce its 8 per cent. capital by Rs. 10,83,000; but even after this reduction is made, this 8 per cent. fund is actually able to give them not only the unrestricted scale of benefits, but as much again; and since the members of the fund must make this enormous extension of benefit, the question must come up for decision, whether Government, under such circumstances, should continue to give, in aid of such a reduction of pensions, the donation which was originally intended to be

used only for charity. Even if we have considered Government in the case of all three funds, to have accepted the extension of the donation (as it has impliedly, if not expressly, done), so far as to consent to its being continued in full, notwithstanding the removal of the restriction clauses, it will be seen that it is still open to question, whether it may not refuse to admit that the application of the donation, to the extent of the large pensions which the Madras Fund must not declare admissible, is at all within any conditions that have ever been sanctioned or held out.

30. In my examination of the Madras Fund, I have not entered upon this question, but it is plain that my examination would be incomplete if I did not point out that it arises out of the circumstances of the fund. The Madras members, unwittingly of course, have been using the donation of interest, in the past, in a manner contrary to all the proper conditions of it. Instead of using it for the bestowal of pensions, they have been hoarding it up to such an extent, that they might now throw half their accumulations into the sea, and yet have their present scale of benefits absolutely secured, without any further contributions. They have been, for the last ten or twelve years, producing exactly the state of circumstances which, in the extract quoted in paragraph 22 above, we have shown to be a misapplication of the donation-interest, to a purpose for which it was never meant.

31. And a misapplication of this sort increases in a geometrical ratio. The surplus of the privileged fund, that is, the amount of money which it had accumulated over and above what would ever be required for the payment of pensions, and contrary to the terms of the donation grant, was in 1863 Rs. 24,39,131, in 1868 Rs. 32,84,042, and for 1874 we estimate it* at Rs. 59,16,000, or, allowing for the above-mentioned reduction of the balance by Rs. 10,83,000, at Rs. 48,33,000. The amount of excess increases at 8 per cent. interest; for it is an amount of which no use is being made, and which is only gathering interest and accumulating. And Government, which believes itself to be granting a donation, in addition to interest, to help the proceeds of certain subscriptions to procure certain pensions, is really now paying two lacs a year of donation (in addition to interest) into a surplus fund which is not being used for, and has nothing whatever to do with, the grant of the pensions, but is merely being hoarded up uselessly and without any purpose. And this amount of donation is increasing every year.

32. It is certainly a state of circumstances in which some thing must be done; if not done now, the necessity increases day by day, and it must be done some time; for if matters are left in their

And should be insisted on by Government.

* The assets are—

	Rs.
Balance, 31st March 1874 ...	1,08,66,000
Interest do. due on 1st April 1874 ...	4,50,000
Other assets, see valuation for 1863 ...	2,60,000
Total ..	1,15,76,000
Liabilities are (see examination paragraph 304) ...	56,60,000
Excess ...	59,16,000

present condition (or rather in the condition in which they will remain if only the other part of the question between the Government and the fund, that of the reduction of the balance by Rs. 10,83,000, is disposed of,) and both Government and the Madras Service allow the fund to continue in its present course, the charge for interest and donation, upon this hoard which the Madras members hold over and above what is necessary to ensure their pensions, will, about the year 1917 (that is, in forty-three years), have increased to a million sterling a year, and after another half century will require the whole revenues of India to meet it.

The Madras Fund, even if closed to new entrants tomorrow, will certainly be in existence at the date contemplated, namely, 1967; for all the beneficiaries of present members cannot have died by that time. So that it is quite certain that long before that time either India will have become utterly bankrupt, or the constitution of the Madras Fund will have been radically revised. Eight per cent. is such an enormous rate of interest that the Government must, for its own protection, and to prevent an enormously increasing hoard of money, insist upon the funds upon which it is given, being spent upon the purposes to which it was intended they should be devoted.

33. It seems clear, therefore, that Government must step in, in the case of the Madras Fund, and say: We are giving you 8 per cent. upon your accumulations, and we did so for the express purpose of enabling you to procure certain pensions; but we find that, besides the amount which is necessary for payment of these pensions, you are making a large accumulation, from which no expenditure is going on at all, or ever can, so long as pensions are regulated on their present scale. We call upon you to make use of this accumulation in some way, either to declare a scale of pensions which will cause it to be used, as it was intended it should be used, or consent to our withdrawing the donation upon it, which is given with the express intention that it should be so used.

34. What might the Madras Fund do, if so called upon; that is, what might they do, with the most perfect safety, and with the assurance of having funds enough to do it? We can answer this question upon the basis of the rough valuation we have made for 1874 (considering the privileged funds only, as they stand after the reduction by Rs. 10,83,000, and leaving out of account the additional fund altogether,) and we have done so in the examination, Article XI, and in the postscript to it.

35. The Madras Fund has two scales of pension; first, the old rule scale—namely, £300 a year to widows, and £30 to £100 to children, diminished in each case by the amount of private income held. This scale is applicable to the widows and children of all (or nearly all) the members who died before July 1860.

Second, the new rule scale, which is the same as the above, with a few small additions, and without any diminution for private property. This is applicable to the widows and orphans of all who died after July 1860, and to those (when they come on the fund) of present members.

36. Either of the following measures would be quite safe, as we have shown in the article above quoted :—

- (1) To give and promise to every widow or orphan, past, present, and future, pension undiminished by private income of £520 for widows, and £50, rising to £170 with age, for children.
- (2) Or leaving all the old rule people in enjoyment only of the present scale; to double the pensions of the others, and raise the scale to £600 for widows, and £60 to £200 for children.

This is all from the privileged fund alone; they could get additional allowances from the additional unprivileged fund.

37. Now, some such measure as this is what the Madras Fund *must* adopt. They have no choice; for if it is not adopted now, the only result is that accumulations still go on, and it will have to be done in future. (See paragraph 12 quoted under paragraph 21 above).

38. And then when this is done the question necessarily arises, which Government will have to decide, whether, with such a large scale of pensions, the fund is at all within the intention of the 8 per cent. donation, and whether Government is bound by any promises it has ever held out, to continue to give 8 per cent. interest upon the accumulations, when they are proved already to have reached far far beyond the measure of capacity which the donation was intended to enable them to reach.

Is the donation to follow the extension ?

39. We have stated the facts, and it is for the Government to decide the point. But we must note one matter connected with it before leaving the case. A refusal by Government to continue to pay 8 per cent. upon any part of capital at present held at 8 per cent. is often talked of as if it were in some way a retrospective measure. The trustees, for example, argue: You have taken this money into your custody at 8 per cent., and it is repudiation to refuse now to continue it, That it is not repudiation, and is not retrospective, we can easily see from the following statement of it;—we suppose Government to make the claim on the trustees:

We gave you 8 per cent. on your funds to enable your fund to pay pensions of £300 a year, or whatever was admissible with reference to the subscriptions which we sanctioned to be levied. During a long course of years you have been unduly restricting payments, and instead of using the subscriptions for the purpose for which they were levied and distributing them properly in pensions, you have been hoarding them up without measure, and have been causing us to pay 8 per cent. upon accumulations which ought never to have been made, and which are far far more than are in any way necessary for the purpose for which we gave you the 8 per cent. And this enormous rate of interest has made your surplus accumulations mount up still more. On 1st May 1863 you held 24 lakhs of rupees more than, according to equitable dealings among the members of the fund and between the fund and Government, you had any right to accumulate. By

1868 the excess had mounted up to nearly 33 lakhs, and as it has always been receiving 8 per cent. interest, it is now as high as 48 lakhs.* We make no claim for any past adjustments in connection with the large sums which you have received as 8 per cent. interest and donation during the period for which you have held these excess accumulations. They amount to 20 or 30 lakhs of rupees at least, which you would never have got if you had spent your funds in giving pensions, as you were bound by the 8 per cent. concession to do. We make no claim to receive back these excess payments in the past; but since it has now been demonstrated that of the funds which you hold at 8 per cent. only 49½ lakhs are really required to absolutely secure the payment of pensions under the new rules (to the extent of which we make no objection that the 8 per cent. should be considered applicable), we must decline any longer to hold the remaining 48 lakhs* (which are in excess of this, and can be applied only to give pensions in excess of such a scale) at such a high rate of interest. And you must either take back the amount, or, if you prefer it, leave it with us at 4 per cent. interest.

40. It is clear that in such a statement of the claim there is nothing retrospective at all. No claim is made on account of what has been erroneously demanded by the fund and paid by Government in the past; only Government refuses to make the erroneous payment any longer.

41. If Government were to make a claim of this sort, it might just as well be carried one step further; in fact, it is not unlikely that it would be considered proper by both sides that it should be so. It is exactly the same thing to Government, whether it agrees to give 8 per cent. upon certain balances and subscriptions which are calculated to be sufficient for a certain scale of benefits, or whether it agrees to take the balances and receive the subscriptions themselves, on condition of accepting the liability for pensions. And it perhaps would not be unreasonable on the part of the fund to say—"If you are going to stop paying 8 per cent. upon the excess over 49½ lakhs, on the ground that that sum is all that is required for the scale of pensions you are willing to aid us in obtaining, then take the 49½ lakhs and the other assets, and pay the pensions out of them."

42. Suppose this were taken as the basis of an actual arrangement coming into effect from 1st April 1874, we can sketch the details of the arrangement and state the condition in which the Madras Fund would be left after it. Our figures can only be stated as approximate, because we have neither the accounts up to 1874, nor have we valuation figures for that date; but these are both wants which could easily be supplied without going beyond India.

43. The total balance on 31st March 1874 is Rs. 1,12,40,000, of which according to the trustees' accounts Rs. 1,08,66,000 bears 8 per cent.

Proposed absorption by Government of the properly privileged part of the fund.

Actual figures for 1874.

* Or 59 lakhs, it is, if we include the Rs. 10,83,000, on which, on other grounds also, the Government might object to give privileged interest, but which are at present part of the privileged fund.

interest, but of which really only Rs. 97,83,000 ought to bear such interest.

44. The present liabilities of the fund at 8 per cent. are valued at Rs. 56,60,000 (see Article XI, para. 305), and as an equivalent for them the Government would take over—

	Rs.
The whole of the future subscriptions on which 8 per cent. is given ... value	1,65,000
The Government donation	1,20,000
The payment due by Government to the fund on 1st April 1874, estimated in postscript to Madras Fund examination at	4,50,000
And of the balance of the fund on 31st March 1874	49,25,000
TOTAL	<u>56,60,000</u>

And would undertake the payment of pensions on the present scale to all present beneficiaries, and to the beneficiaries of all existing members married and unmarried.

45. It would leave in the hands of the trustees—

	Rs.
Of the existing accumulations (31st March 1874)	63,15,000
The additional subscriptions levied under new rules, whose value is about	3,50,000
TOTAL	<u>66,65,000</u>

on which it would simply pay 4 per cent. interest, and it would not assist in any other way.

46. If the members desired old rule incumbents to be admitted to the full benefit of new rules, as it is not unlikely they would, and as I have shown that it is only just under the circumstances of their fund that they should, the liabilities which Government would accept, and the part of the accumulated balance which it would take over as equivalent, would be Rs. 2,60,000 in addition to the above, (see examination, paragraph 307), and the part left with the trustees would be Rs. 60,55,000 instead of Rs. 63,15,000. Then assets bearing interest at 4 per cent. would be valued at Rs. 64,05,000.

47. Now, the value of all the new rule liabilities (incumbent, contingent, and contingent-potential) is about Rs. 90,00,000 when calculated at 4 per cent. But as this is a calculation made on the supposition of a favorable exchange of 2s. 3d. for a rupee, whereas we suppose this additional fund to be deprived of this privilege in future and to have to remit at market rates, which we will take for safety's sake at 1s. 9d. a rupee, the value of the liabilities will, by this consideration, be increased in the ratio of 7:9, and will stand at Rs. 1,15,00,000.

48. The assets of the 4 per cent. fund are valued at Rs. 64,05,000; six lakhs more than half the value of the liabilities. They are therefore sufficient to enable the trustees to promise, in addition to the new rule scale guaranteed by Government out of the fund received and taken possession of by it, half as much more; and this also after returning to the old rule members the four or five lakhs which the trustees somewhat unfairly, as we think, demanded from them as the price of admission to the new rules.

49. Arrangements like these leave future entrants out in the cold; but of course Government is not pledged in any way to give future

Rest of fund to be left with trustees, but deprived of privilege.

Future members how affected.

members of the service the same privileges which present ones enjoy. I have explained in the "examination" why the subscriptions to be taken from future entrants will not be an equivalent for the benefits which are procurable to present ones out of the past subscriptions, because, namely, present members are benefiting, not only by their own subscriptions, but by the unused accumulations of those of their predecessors. But we may take it (without entering into detailed calculation) that the subscriptions are the equivalent of two-thirds of the new-rule scale of benefits, and that Government may (if it desires to continue the privilege of 8 per cent. to future members) take their subscriptions also, *i. e.*, those on which the privilege is admissible, and give them in exchange two-thirds of the new rule scale of pensions; leaving the members to receive into the additional fund the *additional* subscriptions, and to give as their equivalent one-third of the new rule scale of pensions.

50. It might seem at first sight that this is hardly admitting future members to the full privileges of the fund. So far as regards the privileged part of the fund the case stands thus :

A large accumulation has come down from past times through excessive restriction of expenditure.

The subscriptions and accumulations by present members are sufficient to give them .67 of the new scale of benefit.

The Government takes the whole of the latter, and promises .67 of the new rule scale in exchange. And it also takes so much of the former as enables it to make up .33 more of the new rule scale.

So, when future entrants come in, they only can get .67 out of their own subscriptions and accumulations, and get the full benefit of the privilege in getting that.

51. In practice, however, the following would probably be the method adopted: First, it is clear that it must be determined what the position of future entrants is to be, whether they are to be admitted to full participation or not. The question necessarily arises in any proposal of the kind now under discussion, and it has been alluded to in page 39 of the "Proposal for the Commutation of the Bengal Civil Fund". Say it is determined that five years' future members shall be fully admitted; then being fully admitted, Government gives them, as the exact equivalent of their subscriptions, .67 of the new scale of benefit. And to enable itself to give them .33 more, so as to place them on the same level with present members, it would have to take a little more of the past accumulations. The subscriptions of these five years of future entrants is about equal to an annuity of five-sixteenths of the present income by subscriptions, beginning $2\frac{1}{2}$ years hence and lasting 16 years. The value of this at 8 per cent. is five-sixteenths of Rs. 33,000, multiplied by 8.85 (the value of an annuity for 16 years), and discounted for $2\frac{1}{2}$ years, or Rs. 75,000. This is the value now of the subscriptions to be paid by next five years' members during their service, and therefore also of the benefits procurable by these subscriptions taken alone, that is, of two-thirds of the full scale of benefits; and as

EAST INDIA (REDUCTION OF EXPENDITURE).

(15)

Government has to get half this, in addition to the assets above set forth, as an equivalent for its promise of a full scale of benefit for such members, it should take an additional Rs. 38,000 of the present accumulations*, that is, it should take Rs. 49,63,000 instead of Rs. 49,25,000 as proposed in paragraph 44 above. The sum is very small (another proof if any were wanted, of the enormous accumulation compared with the subscriptions,) and does not affect the other conclusions regarding what would be done, or do-able, with the additional fund. So far as regards this last, question of equality of benefit between present and future members would be entirely a conditional 4 per cent. itself to decide, and it would

52. If Government* it would use the past draw *all* privilege from future members, so as future members of the period leave only the noted, then in that case they, or the ~~noted~~, be obliged to settle among themselves on what basis they would institute and manage a fund which, without any privileged rates, would give pensions for their widows. If they were to pay to the additional fund left in the hands of the trustees subscriptions equal to about *three* times the present additional subscriptions and donation, probably there would be sufficient assets to promise them nearly the whole new rule scale; but this is stated only as an opinion, and *not* as a calculation.

53. If an earlier date than 1874 were taken as the commencement of the new plan above sketched, the terms would be very slightly less favorable to the service; the difference, in fact, would be almost entirely in the effect it would have in cancelling the payment which Government has actually made, of donation in addition to interest, upon the excess held during the past years. This payment has been about two lakhs a year, and the fund would, therefore, be worse off by two lakhs a year for every year before the date 1st April 1874, which was taken as the date of the new constitution. The two lakhs would be a difference in the 4 per cent. funds, and not in the 8 per cent., because it is a difference in the gross assets, and the part taken at 8 per cent. is that which is sufficient for a certain purpose, so that all difference in the gross assets is left to fall into the remainder after the 8 per cent. amount is taken out of it.

Application of same principle to Bengal Fund.

54. If a plan such as has just been sketched were adopted as the basis of a settlement of the case of the Madras Fund, (and something of the

* The plan however involves the acceptance by Government of the obligation to pay 8 per cent. interest on this Rs. 38,000, for ten years longer than the time which we consider ~~properly~~ properly included in the privilege,—namely, the interval between the in-coming of the subscription and the out-going of the benefit of each generation.

kind seems to be called for by the present circumstances of that fund), it would probably become desirable to adopt it also, as far as possible, in the case of the other funds, and we may show what its effect would be upon these funds.

55. For the Bengal Fund we have very accurate calculations to start with. This fund is in one respect in a condition exactly the opposite of that of the Madras Fund. For whereas the latter has an accumulation coming down from the past to the advantage of present members, so that the admission of each new entrant to a share in that advantage, diminishes the share of each, and diminishes in some very small degree the scale of pensions admissible to all, the Bengal Fund on the other hand has a deficiency coming down from its old members, which has been and is being filled up by the subscriptions of present ones, and the admission of each new entrant to a share of the burden, diminishes it for the others and increases in some small degree the amount of benefit admissible to all.

56. The amount of benefit in the pensions payable which is exactly equal to that of the Madras Fund, (page 58 of "Proposal for Compensation of the Bengal Fund") at present scale benefit. The Bengal Fund is at present able to afford to each existing member appears from the valuation of 1st April 1873 (adopting the revised distribution of funds between the 8 per cent. and 5 per cent. branches) to be .7279 (see note to proceedings of July 1873); the remaining amount of subscription (that is, that which would, if there were no old deficiency, go to procure for present members the rest of the .90 of the new scale) being required for the making up of this old deficit. So far as regards existing members alone, Government deals fairly and equally with them in taking over all their 8 per cent. funds and subscriptions, and promising .7279 of the new rule scale of pension as an equivalent. But in a young fund like the Bengal Fund, which is working up to, but has not nearly attained, its position of equilibrium, it is necessary to make allowance for underestimate (see paragraphs 59-61, page 42 of "Proposal"), and this might raise the admissible proportion from .7279 to .75 or .76. (The same allowance is not, or is much less, required in other funds, because the cause alluded to in Bombay Fund Article IV, paragraph 60, will have already operated to introduce a sort of compensation.) And if future members, entering during the next four or five years, are to be admitted to, as they can hardly be excluded from, the benefits of the privileged fund, we have estimated in the "Proposal" above alluded to, that about .80 of the new rule scale* is the equivalent of the privileged accumulations and subscriptions, the new entrances extending the admissible scale in the manner shown in last paragraph.

57. In the Bengal Fund, therefore, the Government would take over the whole of the eight per cent. fund and subscriptions, and would promise .80

* This .80 was estimated on the basis of the old values of subscriptions. The new values, since given, are somewhat less, and .80 must be taken therefore as an outside estimate.

EAST INDIA (REDUCTION OF EXPENDITURE).

RETURN to an Address of the Honourable The House of Commons,
dated 12 August 1885 ;--for,

3

“ COPY of CORRESPONDENCE between the GOVERNMENT of INDIA and the
SECRETARY of STATE, in 1883, regarding the Steps to be taken for a
REDUCTION of the EXPENDITURE of INDIA.”

India Office, }
13 August 1885. }

RANDOLPH S. CHURCHILL,
Secretary of State for India.

(*Mr. Kynaston Cross.*)

Ordered, by The House of Commons, to be Printed,
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COPY of CORRESPONDENCE between the GOVERNMENT of INDIA and the
SECRETARY of STATE, in 1883, regarding the Steps to be taken for a
REDUCTION of the EXPENDITURE of INDIA.

— No. I. —

The Secretary of State for India to the Governor General in Council,
28th June 1883, No. 183 (Financial).

My Lord Marquis,

Para. 1. IN various Despatches which have passed in recent years between the Government of India and the Home Government, attention has been called to the tendency of the expenditure to increase. The Marquis of Hartington, in his Despatches of the 28th of July 1881, No. 222 (para. 50), and the 3rd of August 1882, No. 243 (para. 41), referred to the increase of that portion especially which was under the control of the Provincial Governments, and to the necessity of exercising a careful supervision over their budgets. In your letter of the 1st of September 1882, No. 274, you remarked (in para. 11) that, besides the urgent needs for the extension of primary education, sanitary measures, and protective public works, "civil expenditure in every branch of the service shows an inevitable tendency to grow;" and, in the 129th paragraph of the Financial Statement for 1883-84, Major Baring laid special stress on the necessity for economy by the Provincial Governments in their own administration, and on the inability of the Government of India to entertain any further proposals for increased Imperial grants for provincial services.

2. Owing to the many changes which have been made in the forms of account, there has hitherto been difficulty in making fair comparisons between the expenditure now shown in the accounts under a particular head, and that formerly entered under the same head; but the tables given in Appendix III. of your Financial Statement, as corrected in regard to the Home Charges for presentation to Parliament, remove this difficulty, and I, therefore, propose to examine the charges in some detail, with the view of considering whether it may not be possible to effect some economy.

3. In entering upon this examination, I have no desire to imply that the increase of the expenditure, to which I shall have to advert, has been the result of outlay on objects in themselves otherwise than desirable, or that the Government of India has not exercised careful supervision over the many demands for additional outlay which come before it; nor have I lost sight of the fact that, during the period over which my proposed review will extend, there has been a large and satisfactory growth of the revenue, which has not only provided for the increase of charge, but has also admitted of important reductions of taxation, while leaving a satisfactory anticipated surplus.

4. But, notwithstanding these circumstances, and the generally favourable present condition of the finances, it still remains an important duty to watch with care every growth of the expenditure, to guard against every tendency to incur charges which are not essential, and to avoid the risks of undue expansion of outlay on objects of apparent utility which not uncommonly attend a position of supposed freedom from financial anxiety. It is then in this spirit that I proceed to review the main heads of Expenditure during the last 10 or 12 years.

CORRESPONDENCE RELATING TO

5. The following is a statement of the annual total expenditure, arranged on the average of triennial periods :—

EXPENDITURE.	Average, 1871-72 to 1873-74.	Average, 1874-75 to 1876-77.	Average, 1877-78 to 1879-80.	Average, 1880-81 to 1882-83.	Budget, 1883-84.
	£.	£.	£.	£.	£.
TOTAL - - - £.	55,486,000	59,549,000	65,376,000	71,624,000	68,316,000
From these figures I deduct the following sums, representing expenditure of an abnormal character, or such as is for the most part beyond the control of the Government, and also that for the Working and Maintenance of Productive Public Works :—					
Famine Relief and Insurance	1,288,000	1,663,000	1,921,000	1,011,000	1,500,000
Exchange - - - -	670,000	1,400,000	2,569,000	3,130,000	3,548,000
War Charges - - - -	—	—	1,831,000	4,784,000	—
Frontier Railways - -	—	—	445,000	939,000	67,000
Subsidized Railways - -	—	—	—	40,000	186,000
Interest on Debt, &c. - -	5,871,000	6,295,000	4,980,000	4,364,000	4,264,000
Superannuation: Civil -	1,570,000	1,890,000	2,068,000	2,180,000	2,171,000
Non-Effective Charges: Army	1,937,000	2,188,000	2,687,000	2,903,000 *	3,109,000 †
Productive Public Works Revenue Account. - - -	5,319,000	6,112,000	8,091,000	9,609,000	10,086,000
Total deductions - - - £.	16,655,000	18,548,000	24,598,000	28,954,000	24,933,000
Remainder - - - - £.	38,831,000	41,001,000	40,778,000	42,670,000	43,383,000

6. The amounts remaining after making the specified deductions fall into the following groups :—

Heads of Expenditure.	Average, 1871-72 to 1873-74.	Average, 1874-75 to 1876-77.	Average, 1877-78 to 1879-80.	Average, 1880-81 to 1882-83.	Budget, 1883-84.
	£.	£.	£.	£.	£.
Direct demands on the Revenues -	7,266,000	8,142,000	7,990,000	8,375,000	8,634,000
Post Office, Telegraph, and Mint	1,326,000	1,491,000	1,619,000	1,823,000	2,040,000
Civil Departments - - - -	9,579,000	10,242,000	10,339,000	10,857,000	11,154,000
Miscellaneous Civil Charges (omitting Superannuation) - -	2,054,000	2,062,000	1,777,000	1,757,000	1,797,000
Public Works not classed as Productive (omitting Subsidized and Frontier Railways) - -	5,073,000	5,760,000	5,089,000	6,059,000	6,803,000
Army: Effective Services - -	13,533,000	13,304,000	13,064,000	13,799,000	12,955,000
TOTAL - - - - £.	38,831,000	41,001,000	40,778,000	42,670,000	43,383,000

7. Taking the groups in detail, I find that the direct demands on the revenues have increased in the 11 years by 1,368,000 £., or about 19 per cent. Compared with the gross receipts from the principal sources of revenue, the direct claims amounted in—

1871-72 to 1873-74, to 15·4 per cent.

1874-75 to 1876-77, to 17·2 „

1877-78 to 1879-80, to 15·7 „

1880-81 to 1882-83, to 16·0 „

Budget - . 1883-84, to 17·0 „

which

* Partly estimated.

† Estimated.

which last figure would have been 17·3 per cent., had not the refunds of departmental and other receipts been removed from this group in 1881-82, and charged against the several departmental heads of Expenditure. The following is the detail of the direct demands :—

Direct Demands.	Average, 1871-72 to 1873-74.	Average, 1874-75 to 1876-77.	Average, 1877-78 to 1879-80.	Average, 1880-81 to 1882-83.	Budget, 1883-84.
	£.	£.	£.	£.	£.
Refunds and Drawbacks - -	327,000	380,000	375,000	375,000	196,000
Assignments and Compensations -	865,000	885,000	988,000	1,217,000	1,246,000
Charges in Respect of Collection:					
Land Revenue - - - -	2,833,000	2,905,000	2,947,000	3,014,000	3,212,000
Opium - - - - -	1,804,000	2,467,000	2,142,000	2,144,000	2,165,000
Salt - - - - -	479,000	487,000	430,000	450,000	546,000
Stamps - - - - -	95,000	109,000	111,000	113,000	103,000
Excise - - - - -	124,000	90,000	100,000	96,000	94,000
Provincial Rates - - -	32,000	49,000	59,000	50,000	51,000
Customs - - - - -	186,000	192,000	203,000	184,000	144,000
Assessed Taxes - - - -	15,000	1,000	23,000	16,000	14,000
Forest - - - - -	388,000	441,000	453,000	637,000	677,000
Registration - - - - -	117,000	136,000	159,000	179,000	186,000
TOTAL - - - - £.	7,266,000	8,142,000	7,990,000	8,375,000	8,634,000

8. The reduction in the Refunds is due principally to the transfer mentioned in the preceding paragraph; but I presume also that the removal of the customs duties on imports in 1882 has led to a diminution of the refunds anticipated. In the Financial Statement for 1882-83 it was estimated that there would be a saving of 35,000 l. in this direction.

9. The large increase which is shown under Assignments and Compensations arose in 1878-79 and the following years, when annual payments were promised to the Native chiefs in Rajputana, in connection with the arrangements made for the collection of the salt revenue. In 1881-82 these special compensations amounted to about 270,000 l.

10. Taking together the receipts from Land Revenue (including that credited to Productive Public Works), and from Provincial Rates, the cost of collection amounted in—

1871-72 to 1873-74, to 12·58 per cent.

1874-75 to 1876-77, to 12·93 „

1877-78 to 1879-80, to 12·40 „

1880-81 to 1882-83, to 12·27 „

Budget - 1883-84, to 13·03 „

From these figures I think it may be inferred that the revenue derived from the land has, up to 1882-83, been increasing at a greater rate than the cost of the establishment charged with its collection, and the contingent outlay which appears under this head; but the increased charge in the Budget for 1883-84, which is caused by the measures adopted last year for the improvement of the position of the Subordinate Civil Service, and for the relief of landlords in Oudh by paying the patwaris from Government revenues, has brought the ratio to a higher point than at any time during the period under review.

11. The average charge for the production and manufacture of Opium has not varied greatly, although in particular years the fluctuations are considerable.

CORRESPONDENCE RELATING TO

The percentage of cost, which depends rather on the amount of the revenue received, has been as follows:—

1871-72 to 1873-74,	20·60.
1874-75 to 1876-77,	28·30.
1877-78 to 1879-80,	22·24.
1880-81 to 1882-83,	21·50.
Budget - 1883-84,	23·53.

12. The charges for the collection of the Salt revenue show a considerable increase in the Budget, owing to the revision of the establishments in Madras. Calculated on the receipts, the percentage of cost, as shown in the Accounts, is as follows:—

1871-72 to 1873-74,	7·85.
1874-75 to 1876-77,	7·78.
1877-78 to 1879-80,	6·20.
1880-81 to 1882-83,	6·54.
Budget - 1883-84,	8·85.

If, however, the special compensations mentioned above, amounting to 270,000 *l.*, and also the payment of 42,600 *l.* in Madras, under the Convention with the French Government, be added to the charges shown in the Budget, they will be increased from 546,000 *l.* to 858,600 *l.*, giving a percentage of 11·64 on the income of 1881-82 before the reduction of duty, or of 13·92 on the estimate for 1883-84.

13. It does not appear necessary to make any remark on the remaining charges for the collection of the revenue, except that, owing to the great increase of charge under Forests, the net revenue from that source, 259,300 *l.*, set down in the Budget, is very considerably less than in either of the two previous years.

14. The next group, that of Post Office, Telegraph, and Mint, exhibits the following results:—

EXPENDITURE.	Post Office.		Telegraph.		Mint.		TOTAL OF GROUP.	
	Gross.	Net.	Gross.	Net.	Gross.	Net.	Gross.	Net.
Average:	£.	£.	£.	£.	£.	£.	£.	£.
1871-72 to 1873-74 - - -	795,000	99,000	448,000	205,000	83,000	10,000	1,328,000	314,000
1874-75 to 1876-77 - - -	902,000	134,000	465,000	153,000	124,000	—52,000	1,491,000	235,000
1877-78 to 1879-80 - - -	1,048,000	125,000	461,000	31,000	110,000	—172,000	1,619,000	—16,000
1880-81 to 1882-83 - - -	1,170,000	187,000	563,000	54,000	90,000	—14,000	1,823,000	227,000
Budget, 1883-84 - - -	1,223,000	212,000	742,000	185,000	75,000	—27,000	2,040,000	370,000

The receipts from the Post Office are, to a great extent, limited by the terms of the International Convention, and the advantages conferred on India by the great development of both the postal and the telegraph services are undoubted; nor do I overlook the fact that in the annual charges of the year is included the capital cost of the telegraph lines which are now being greatly extended in India. Still, it must be observed that both the gross and the net expenditure of these services has largely increased in recent years, and every effort should be used to make them more nearly self-supporting, so as to relieve the finances from the burden which they now bear in respect of them.

15. In the arrangement of the next two groups, your Excellency will observe that the cost of stationery in the Home Accounts in the years from 1871-72 to 1875-76 has been removed to that head from Administration. Deducting the departmental

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departmental receipts, the net figures for the Civil Departments are as follows:—

YEARS.	General Administration.	Law and Justice.	Police.	Marine.	Education.	Ecclesiastical.	Medical.	Political.	Scientific and other Minor Departments.	TOTAL of Group.
Average:	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
1871-72 to 1873-74 -	1,404,000	2,273,000	2,191,000	290,000	729,000	160,000	551,000	358,000	339,000	8,295,000
1874-75 to 1876-77 -	1,442,000	2,475,000	2,255,000	338,000	857,000	164,000	626,000	447,000	332,000	8,936,000
1877-78 to 1879-80 -	1,502,000	2,607,000	2,235,000	250,000	836,000	156,000	630,000	449,000	266,000	8,931,000
1880-81 to 1882-83 -	1,536,000	2,561,000	2,331,000	328,000	884,000	161,000	639,000	564,000	381,000	9,385,000
Budget, 1883-84 -	1,555,000	2,702,000	2,482,000	308,000	995,000	168,000	674,000	442,000	425,000	9,751,000

Thus the net cost of the Civil Departments has, in 11 years, increased by 1,456,000 l., or 17½ per cent., and in the last five years by 820,000 l., or more than 9 per cent. The increase has arisen in the several departments to the following extent:—

	Budget for 1883-84 in Excess of Average of	
	1871-72 to 1873-74.	1877-78 to 1879-80.
	£.	£.
General Administration - - -	151,000	53,000
Law and Justice - - - -	429,000	95,000
Police - - - - -	291,000	247,000
Marine - - - - -	18,000	58,000
Education - - - - -	266,000	159,000
Ecclesiastical - - - - -	8,000	12,000
Medical - - - - -	123,000	44,000
Political - - - - -	84,000	7,000
Scientific and other Minor Departments.	86,000	159,000
TOTAL - - - £.	1,456,000	820,000

16. As regards the increased cost of general administration, the following are some of the principal points to be noticed. In the three earlier periods which have been selected for examination, the tour expenses of the Government of India averaged respectively 59,000 l., 59,000 l. and 70,000 l., and in 1880-81 and 1881-82, 81,000 l., while they are mentioned in the 150th paragraph of Part II. of the Financial Statement as one of the causes of a further increase in 1882-83. In the Comptroller General's Department there is an increase of 11,000 l., and in the allowance to the Bank of Bengal for the management of the public debt and Government account of 9,000 l., while a payment of about 4,000 l. for rents, rates, and taxes, has appeared in the Accounts since 1876-77, inclusive. The expenditure in Bengal and Assam combined, has been 158,000 l., 172,000 l., 186,000 l., and 205,000 l., in the several periods, and has risen in 1882-83 to 211,000 l., and in the Budget for 1883-84 to 213,000 l.; in British Burma it has been 35,000 l., 37,000 l., 37,000 l., and 41,000 l., and in the Estimates rises to 45,000 l. and 49,000 l.; in the Punjab the amounts are 112,000 l., 112,000 l., 120,000 l., 122,000 l., 127,000 l., and 126,000 l.; in Madras, 121,000 l., 123,000 l., 129,000 l., 135,000 l., 145,000 l., and 139,000 l.; and in Bombay, 156,000 l., 156,000 l., 172,000 l., 163,000 l., 166,000 l., and 168,000 l. In the Central Provinces the charges have been almost uniform, at 42,000 l. or 41,000 l.; and in the North-West Provinces and Oudh the union of the two administrations led to a reduction from 156,000 l. to 147,000 l.,

from which the cost has gradually increased to 151,000 *l.* estimated for 1883-84. In England the expenditure under this head (apart from Stores and other charges incurred for the Government of India) was 199,000 *l.*, 211,000 *l.*, 212,000 *l.*, and 217,000 *l.*, the increase in the last period being caused by exceptional payments for the management of the debt. In 1882-83 it was 220,000 *l.*, and it is estimated at the same sum for 1883-84.

17. Owing to the omission of the charges on account of Provincial Services from the head of Law and Justice in former years, no fair comparison can be made from an earlier date than 1876-77, since which year there has been an increase of 216,000 *l.*, of which about 48,000 *l.* appears to be due to the transfer of the departmental refunds. It is especially in Bengal that the increase has taken place, where the charges, which had risen from 835,000 *l.* in 1876-77 to 863,000 *l.* in 1880-81, mounted up in 1881-82 to 901,000 *l.*, in 1882-83 to 934,000 *l.*, and are estimated in 1883-84 at 965,000 *l.* Of the increase of 38,000 *l.* in 1881-82, 18,000 *l.* was due to the transfer of refunds, but no less than 20,000 *l.* is entered under contingent charges of the Civil and Sessions and Criminal Courts. The increase in the later years seems to be partly caused by supplies for jails, and partly by larger provision for the salaries and establishments of munsiffs.

18. Of the payments under Police, I am unable to make a comparison from an earlier date than 1878-79. The increase of 135,000 *l.* in the next three years is, to the extent of 71,000 *l.*, explained by the additional charges for Railway and Special Police, and for the guards for the Customs and Salt Departments in Madras, not previously included; the remainder of the increase appears to be equally divided between the District Executive force and the Village Police. In the two years 1882-83 and 1883-84 there is an estimated further increase of 154,200 *l.*, of which 69,100 *l.* occurs in Bengal, 45,700 *l.* in British Burma, 25,300 *l.* in Bombay, and 14,900 *l.* in the Central Provinces.

19. The expenditure on Education has increased by 222,000 *l.* in the last five years, of which 68,000 *l.* arises in Bengal, 59,000 *l.* in Bombay, 45,000 *l.* in Madras, 16,000 *l.* in the North-Western Provinces, and 13,000 *l.* in British Burma. The increase of 54,000 *l.* in the medical charges in the same period has occurred in Madras to the extent of 23,000 *l.*, Bombay of 12,000 *l.*, the North-Western Provinces of 22,000 *l.*, and the Punjab of 11,000 *l.*, while in Bengal there is a reduction of 17,000 *l.*

20. As regards the scientific and other minor departments, there has been a reduction in the expenditure on Surveys and Exhibitions, as well as a considerable profit from the chinchona plantations, while an increase has occurred in the outlay in connection with the breeding of cattle, the grants to botanical and other gardens, and statistical inquiries, more especially in relation to the census, the cost of which in 1881-82 alone was 159,000 *l.* (of which 61,000 *l.* was spent in Bengal), while the preceding census did not altogether involve a charge of more than about 70,000 *l.* in the four years from 1871-72 to 1874-75.

21. The following are the net figures for the group of Miscellaneous Civil Charges, Superannuation being for the present omitted:—

YEARS.	Territorial and Political Pensions.	Interest Receipts.	Civil Furlough.	Stationery and Printing.	Miscellaneous.	TOTAL.
Average:	£.	£.	£.	£.	£.	£.
1871-72 to 1873-74 - -	911,000	— 453,000	196,000	340,000	— 186,000	808,000
1874-75 to 1876-77 - -	824,000	— 560,000	227,000	460,000	— 664,000	287,000
1877-78 to 1879-80 - -	774,000	— 637,000	228,000	398,000	— 64,000	695,000
1880-81 to 1882-83 - -	685,000	— 820,000	221,000	455,000	— 148,000	393,000
Budget, 1883-84 - - -	743,000	— 651,000	227,000*	405,000	97,000	821,000

The receipts under the head of Interest were exceptionally high in 1880-81 to 1882-83, owing to the premium realized on the loans. The Miscellaneous Charges are necessarily of a fluctuating amount.

22. I now

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22. I now come to the expenditure on Public Works not classed as productive, excluding the subsidized and frontier railways :—

YEARS.	State Railways.		Irrigation and Navigation.	Military Works.	Civil Buildings, Roads, &c.	TOTAL.
	Capital Account.	Working and Maintenance.				
Average.	£.	£.	£.	£.	£.	£.
1871-72 to 1873-74 - -	13,000	—	282,000	1,078,000	3,059,000	4,432,000
1874-75 to 1876-77 - -	54,000	—	403,000	1,218,000	3,468,000	5,143,000
1877-78 to 1879-80 - -	255,000	—	510,000	1,065,000	2,474,000	4,304,000
1880-81 to 1882-83 - -	255,000	8,000	652,000	970,000	3,428,000	5,313,000
Budget, 1883-84 - - -	510,000	—7,000	663,000	981,000	3,822,000	5,949,000

In the outlay on the construction of State railways there is an increase of 255,000 *l.* in the Budget, which provides for exactly double the average expenditure in either of the two immediately preceding periods. The allotment for irrigation and navigation, though little more than in the years 1880-81 to 1882-83, exceeds by 153,000 *l.*, or more than 30 per cent., the expenditure in the three years before. The grant for Military Works is now fixed at 1,000,000 *l.* per annum, from which certain receipts have to be deducted in arriving at the net outlay. The expenditure on Civil Buildings and Roads, which in 1880-81 to 1882-83 was greater by 954,000 *l.* a year than the average of the preceding period, is in the Budget again augmented by 394,000 *l.* Thus, on Public Works which are not of such a character as to be classed as productive, there is an increase of 1,645,000 *l.* over the expenditure from 1877-78 to 1879-80, of which 1,348,000 *l.* is due to Civil Buildings and Roads; and of 636,000 *l.* over that from 1880-81 to 1882-83, of which nearly 400,000 *l.* is also due to the class of works last named. The control of this branch of the expenditure will, no doubt, receive the earnest attention of your Excellency's Government. I am aware that this outlay has, to a great extent, been met from the provincial balances, which in some provinces had accumulated largely; but it is apparent that such expenditure cannot be indefinitely continued, and that, if additional grants are made in any year from the balances, they should only be allowed on the condition *that the establishments are not materially enlarged*, at the risk of difficulty attending their reduction in a subsequent year when smaller funds may be available.

23. The charges for the Army, apart from the war, are divided in the following manner between Effective and Non-effective (the figures for 1882-83 and 1883-84 being estimates) :—

YEARS.	Effective.	Non-effective.	TOTAL.
Average :	£.	£.	£.
1871-72 to 1873-74 - -	12,587,000	1,929,000	14,516,000
1874-75 to 1876-77 - -	12,340,000	2,165,000	14,505,000
1877-78 to 1879-80 - -	13,033,000	2,660,000	15,693,000
1880-81 to 1882-83 - -	12,831,000*	2,847,000*	15,678,000
Budget, 1883-84 - - -	12,248,000†	2,950,000†	15,198,000

The Effective charges have thus been materially reduced, while the Non-effective charges are steadily increasing. Your Excellency is, moreover, aware that for some years the full amount due to the Imperial Government has not been paid, and that there is now the very large arrear of about 2,000,000 *l.* to be liquidated.

24. I am,

* Partly estimated.

† Estimated.

CORRESPONDENCE RELATING TO

24. I am, of course, conscious that no steps can be taken for the reduction of the existing pensions, whether military or civil, and that the Government is pledged to their payment, not merely to persons who have already retired from the Service, but also to those who are still effective. Nor do I lose sight of the fact that much of this additional expenditure has been caused by changes of organization in the British Army, the responsibility for which does not rest with the Government of India. But, however these charges have arisen, the rapidity of their growth makes it all the more necessary to exercise the strictest economy in other directions. How greatly the burden for superannuation charges of all kinds has increased in recent years may be gathered from the following net figures :—

Y E A R S.	Army, Non-effective Charges.	Military Funds, charged under Superannuation.	Other Civil Superannuation.	TOTAL.
Average	£.	£.	£.	£.
1871-72 to 1873-74 - - - -	1,929,000	82,000	780,000	2,791,000
1874-75 to 1876-77 - - - -	2,165,000	65,000	1,089,000	3,319,000
1877-78 to 1879-80 - - - -	2,660,000	102,000	1,319,000	4,081,000
1880-81 and 1881-82 - - - -	2,847,000	325,000	1,502,000	4,677,000

To the last-mentioned sums must be added about 300,000 *l.* for the deficiency in the payments to the Treasury for Non-effective charges to meet the liabilities of recent years; so that the charges for Superannuation have increased during the last 10 years from about 2,800,000 *l.* to 4,900,000 *l.*, or to the extent of 75 per cent., and now amount to nearly 12 per cent., or one-ninth, of the net revenue of India.

25. To some extent this increase is only apparent, as it is due to the exhaustion of the capital of the military and medical funds; but the following causes have tended to a real augmentation of the Non-effective charges: the guarantee of large pensions to officers of the Indian Army; the special inducements offered to them to retire, which have led to a considerable reduction in the present and future cost of the effective officers as well as to a decrease in the possible future liabilities for pensions; the payment by India of her full proportionate share of the pensions of officers and soldiers of the British Army, instead of a moderate capitation rate; the grant of annuities to all civil servants after the completion of a fixed period of service and residence; and the constantly increasing number of officers of the Public Works, Telegraph, Forest, Educational, and other Departments, who, having entered the service in the last 20 or 25 years, are now coming on the pension list.

26. Apart from this heavy charge for Superannuation, a review of the foregoing figures shows that the expenditure has in recent years risen to a more or less serious extent under the heads of Collection of Land Revenue, Opium, Salt, and Forests, Post Office, Telegraph, General Administration, Law and Justice, Police, Education, Medical, Scientific and other Minor Departments, and Public Works not classed as productive. Over nearly all of these branches the Local Governments have more or less direct control; and, while I do not deny that the expenditure is to a considerable extent necessary, and in most cases beneficial, provided that the paramount consideration is borne in mind of keeping it within the income of the year, I cannot but fear that this condition has not on all occasions received the attention it deserves.

27. The policy of decentralization of some portion of the finances has certainly been eminently successful as regards the improvement of the revenue under the more careful supervision of the Local Governments; but it was an essential part of that policy, of the successful accomplishment of which the evidence is less complete, that, by the promotion of economy in the expenditure of the funds placed at their disposal, the means should be provided of meeting the increasing demands of the Administration. The balance which each Local Government should keep in your Treasury ought to be fixed at such an amount as, without unduly locking up their funds, shall suffice to meet any exceptional demands

demands that are at all likely to occur; and the expenditure should be at a sufficiently uniform rate to avoid violent fluctuations. According, however, to Abstract D, appended to your Financial Statement, the Provincial Governments exceeded * their annual income in 1881-82 by 1,520,000 *l.*, and in 1882-83 by 1,525,000 *l.*; and they are estimated to do so in 1883-84 by 1,500,000 *l.* On the 31st of March 1884 their balances are to be reduced to 1,793,000 *l.*, or little more than enough to meet the expenditure of a single year in excess of their income, at the present rate. There will be an obvious danger that, when the balances are exhausted, it may be impossible suddenly to effect the necessary retrenchment, without much waste and hardship, or that the equilibrium could only be restored by resorting to the serious evil of imposing fresh taxation.

28. In some of the provinces there is no reason to complain of the manner in which the expenditure has been regulated; but in others it has been very variable, and gives indications of having been excessive. The balances of the Bengal Government, which on the 31st of March 1882 were 918,000 *l.*, will in two years from that date be reduced to 70,000 *l.*, an amount which appears to me much too small as a reserve for the wants of so large a province; and British Burma will during the same period reduce its balance from 441,000 *l.* to less than 17,000 *l.* I am apprehensive, therefore, that the importance of keeping the expenditure of the Local Governments, as a general rule, within their annual income, and of reserving their balances (which should be of a moderate but not excessive amount) to meet emergencies, has been lost sight of; and that their Budgets have been passed by your Government as a matter of course, provided only that their balances were sufficient to avoid any demand being made on your Treasury.

29. In making these observations I do not wish at all to interfere with the disposal of their funds by the Local Governments under any suitable general regulations laid down. In 1881 their balances, which had already been exceptionally increased by suspension of expenditure, were further augmented by the grant of 670,000 *l.* for expenditure on Productive Public Works. This may have led to a somewhat irregular outlay not likely to recur. And, no doubt, cases may hereafter arise where a public work is of great importance, and where, by the system of contract, it can be constructed without enlarging the establishments; and for this object some accumulation of funds may be justified, and the surplus balances may be properly applied to such a purpose. Again, after the Budget for the year has been determined, some unforeseen want may be felt; and, if the pressure is sufficient to make immediate action desirable, a grant from the balances may properly be sanctioned. Or, again, there may be an unexpected and temporary loss of revenue, and the appropriation of a portion of the balances may meet the deficiency, without the necessity for disarranging any branch of the administration, in order to provide the necessary equilibrium. Subject to such exceptions, however, the rule of keeping the expenditure of each Local Government within its annual income should only be set aside for urgent reasons; and I desire that they may be requested in future to prepare their Budgets in conformity with this principle.

30. I shall, in another Despatch, address your Excellency on the subject of the financial position of the new local bodies which it is proposed to establish throughout the country, and on the danger of increased expenditure which may be thus caused.

31. While this Despatch has been under my consideration, a debate has taken place in the House of Commons, consequent on a resolution having been moved "That, in the opinion of this House, it is necessary that early steps be taken to reduce the expenditure of India."

32. I request your Excellency to take the subject of the reduction of expenditure into your earnest consideration. Even if it should not be found practicable to diminish to any large extent the total charges, I can hardly doubt that economies may be effected in particular Departments, and I rely on your Excellency's Government to spare no effort to check the growth of expenditure.

I have, &c.
(signed) Kimberley.

* *Sic.*—The sentence should have been. "Spent less than their annual income in 1881-82 by 1,520,000 *l.*, but exceeded it in 1882-83 by 1,525,000 *l.*"

CORRESPONDENCE RELATING TO

— No. 2. —

The Secretary of State for India to the Governor General in Council,
5th July 1883, No. 191 (Financial).

(Extract.)

YOUR Excellency will, I have no doubt, concur with me that it is necessary great care should be taken to check any tendency of the Provincial Governments to authorise fresh expenditure in connection with the extension of local self-government, the result of which would be, when the new system comes into full operation, to impose increased burdens on the country. I request your Excellency, therefore, now that you have received the reports from the various Provincial Governments as to the manner in which they propose to carry your policy into effect, to consider carefully the subject of the outlay which the various changes will entail, and to furnish me, so far as is possible, with some approximate estimate of the cost which will be incurred in each province for these purposes.

In the foregoing observations, I have had in mind more particularly the risk of adding to the local rates; but it is not the less necessary to keep within strict limits expenditure from the provincial revenues. On this subject I have addressed you in a separate Despatch, No. 183, of the 28th ultimo.

— No. 3. —

The Secretary of State for India to the Governor General in Council,
12th July 1883, No. 196 (Financial).

(Extract.)

I MAKE no objection to the re-allotment in the following year to Protective Works of the balance unspent in a previous year; but I fear that a distribution of expenditure between the two years, by which a sum of only 237,900 *l.* is charged in the accounts of the one, and no less than 1,079,800 *l.* in those of the other, will not be favourable to economy.

The capital outlay on Productive Public Works is less by 1,055,249 *l.*; but, if the purchase money of the Madras Irrigation Canal and East Indian Railway Annuity be omitted from the calculation, there is an increase of 1,171,589 *l.* The Estimates for State Railways, for the East Indian Railway, and for Irrigation and Navigation, are enhanced by 718,989 *l.*, 160,800 *l.*, and 313,000 *l.* respectively, while there is a reduction of 21,200 *l.* in that for the Madras Harbour. According to the explanation at the end of the Appendix showing the causes of increase and decrease, the funds for this very large outlay of 3,820,100 *l.* are to be provided by adding to the fixed allotment of 2,500,000 *l.*, which will be met by a loan, 880,100 *l.* from the unspent balances of past years, 424,000 *l.* from the balances for the East Indian Railway, and 16,000 *l.* for the final payment in completion of the purchase of the Madras Irrigation Works. Thus your cash balances are to be reduced during the year by no less than 1,320,100 *l.* on account of Productive Public Works, besides (if I rightly understand paragraph 538 of Part II. of the Financial Statement) 137,100 *l.* specially contributed by the North-West Provinces and Oudh; and, although the whole expenditure falls within the terms on which you have been authorised to lay out money on such works, and part of the increase appears to be due to the payments for stores which it had been intended to provide in the previous year, I cannot think that establishments arranged for an expenditure of 2,725,000 *l.* in 1881-82, and 2,632,000 *l.* in 1882-83, can, with economy, control an outlay of 3,804,000 *l.* in 1883-84.

— No. 4. —

The Governor General in Council to the Secretary of State for India,
3rd August 1883, No. 214 (Financial).

My Lord,

FROM the commencement of the financial year 1882-83 we have caused a record to be kept in our Financial Department of all sanctions given to fresh expenditure. We have now embodied in a Resolution the results of the year 1882-83. As the question of the growth of Indian expenditure has recently attracted much attention in England, we think it may be interesting to your Lordship to see this Resolution. We beg, therefore, to enclose a copy.

2. It will be understood that the record includes all expenditure which, under existing rules, required the special sanction of the Government of India in the Financial Department, and was not provided for in the Budget Estimate of the year. It does not include expenditure which Local Governments are empowered to sanction as a charge against provincial revenues without reference to the Government of India, nor does it include temporary expenditure which Local Governments may have sanctioned under an Imperial head of the accounts, provided that in the latter case the additional expenditure must be met by savings effected under the same head. Your Lordship is aware that Local Governments possess authority to sanction expenditure from Provincial revenues without a reference to the Government of India, subject to two important limitations, viz., they cannot sanction expenditure that would lead to an excess in the total Provincial Budget provision of the year without the special order of the Government of India, and they cannot impose a permanent charge even on Provincial revenues in respect of any item which exceeds 3,000 rupees a year. And there is of course the general limitation that a Local Government cannot sanction Provincial expenditure unless such expenditure can be met from Provincial revenues. Nor can a Local Government impose any permanent recurring charge, however small, on Imperial revenues, without the permission of the Government of India.

3. The amount of expenditure sanctioned in each case does not necessarily agree with the amount which appears in the Accounts and Estimates. Further, it will be understood that the figures only show the extra expenditure which, under the sanction, will fall on the current financial year. For instance, supposing a salary of 500 rupees a month to be sanctioned with effect from 1st September 1882, the increase shown in this Resolution would only be 3,000 rupees for the year, whereas in subsequent years, supposing the appointment to be permanent, it would be 6,000 rupees. In many cases the expenditure falls partly on the Imperial and partly on a Provincial Government, and the full effect of the sanction is only to be discovered by looking both at that portion of the Resolution which deals with Imperial and that which deals with Provincial expenditure. We should also observe that no account is taken in the Resolution of lapses of expenditure.

4. The detail under each head is fully given in the Resolution, but it may be convenient that we should summarise the main facts with which the Resolution deals.

5. Your Lordship will observe that the expenditure is classed under the heads "Permanent" and "Temporary," and that a distinction is also made between Imperial and Provincial expenditure. The total additional expenditure sanctioned during the year was 2,69,88,486 rupees, of which 2,38,49,989 rupees was Imperial, and 31,38,497 rupees was Provincial. If, however, we deduct the expenditure sanctioned on account of the Expeditionary Force sent to Egypt, amounting to 1,80,00,000 rupees, the whole of which, as your Lordship will remember, was not spent (*see* paragraph 131 of the Financial Statement for 1883-84), the total is reduced to 89,88,486 rupees, of which 58,49,989 rupees was Imperial, and 31,38,497 rupees was Provincial. This is a very large amount, but a careful examination of the details is required before any conclusions

clusions in respect to the general growth of expenditure can be deduced from these figures. In the case of a great many items the expenditure is only nominal.

6. It is clear that, although a very careful watch should indeed be kept over temporary expenditure, a permanent increase of expenditure should be watched even more jealously.

7. The permanent increase of expenditure during the year was 4,77,533 rupees, of which 2,48,550 rupees was Imperial, and 2,28,983 rupees was Provincial.

8. Turning, first, to the permanent increase in Imperial expenditure, amounting to 2,48,550 rupees, it is to be observed that the largest amount (62,320 rupees) falls under *Political*. The largest items under this head are 19,476 rupees and 5,640 rupees, making in all 25,116 rupees, being the cost of establishing an Agency at Kabul and news-writers at Kandahar and Herat. The cost of the increased establishment necessary for the Mysore Residency, consequent on the rendition of the Mysore territory to the Native Government, was 5,220 rupees during the year. The remaining increase under *Political*, amounting to 31,984 rupees, is made up of a number of small items, of which the details will be found in paragraph 18 of the Resolution.

9. The next largest head is 41,196 rupees under *General Administration*. This is principally due to the revival of the appointment of Member of the Supreme Council in charge of the Public Works Department, and to the increase sanctioned for the Office of the Accountant General, Public Works Department. An establishment, estimated to cost 2,790 rupees in 1882-83, was sanctioned for the new Currency Office at Rangoon, but there was no actual expenditure during the year, owing to the difficulty of organising an establishment for the purpose.

10. The head *Forest* comes next in order of importance. The increase during the year amounted to 40,112 rupees. Of this, 35,000 rupees is due to the reorganisation of the Superior Staff of the Forest Department throughout the Bengal Presidency. The necessity for this reorganisation was long felt. The amount is well laid out, as it will tend to increase the efficiency of the Department, and improve the status of its officers. Moreover, as the Department is a growing one, it is to be expected that with the increase of revenue the expenditure will increase also.

11. The increase of 19,441 rupees under *Land Revenue* is almost entirely due to the revision of the scale of pay of the Taluk establishment in Coorg. The revenue of the province has largely increased since the assumption of Coorg by the British Government in 1834, but the pay of the establishments generally has remained almost stationary. The increase has been a measure necessary for securing efficiency.

12. The increase under *Opium* (18,927 rupees) is due to the revision of the pay of the officers of the Opium Department, which took effect from 1st November 1882. In future years the extra cost will be 54,300 rupees. This money is also well laid out, as it will certainly lead to increased efficiency, and probably to an increase of revenue, in so far as any such increase depends on improved administration.

13. The increase of 14,320 rupees under *Territorial and Political Pensions* is mainly due to a grant of 800 rupees a month to General Yagat Jung, and to an allowance of 10,000 rupees a year to Syud Yakub Khan Torah. Both of these allowances were given for political reasons, and they will, of course, lapse on the death of the recipients.

14. The remaining heads do not call for any special remarks. The *Post Office* and the *Telegraph* Department are growing Departments, the expenditure under which must be expected to increase as the revenue increases.

15. On the whole, we consider that the record as regards increases to permanent Imperial expenditure is satisfactory.

16. Tuning

16. Turning to temporary Imperial expenditure, the total, deducting 1,80,00,000 rupees for the Expeditionary Force to Egypt, amounts to 56,01,439 rupees.

17. The increase under *Land Revenue* is 1,46,789 rupees, the main item being an additional grant of 1,00,000 rupees made to the North-Western Provinces and Oudh to bring up the Imperial assignment for the cadastral surveys of the permanently settled districts in those provinces to half the cost of the surveys, this being the proportion of the cost which it was agreed should be paid by Imperial revenues. An additional grant of 26,765 rupees was also found necessary for the survey and settlement of the district of Cachar in the Province of Assam.

18. Of the total increase under *Forest*, namely, 1,87,754 rupees, 1,08,500 rupees was in Burma, and was the result of more extended timber operations in that province—operations expected to yield an increase of 2,37,000 in revenue compared with budget. An increase of 75,000 rupees occurs in the North-Western Provinces and Oudh, and represents a portion of two lakhs required in 1882-83 and 1883-84 to enable the Forest Department to supply 300,000 sleepers for the Patna-Baraich Railway, and to cut up wood not fit for sleepers into planks for sale. The sale of the sleepers and planks is expected to yield four lakhs of rupees.

19. The increase of 7,36,600 rupees under *Opium* is almost entirely due to the purchase of 2,000 maunds of Malwa opium, costing 7,20,000 rupees for manufacture into excise opium for consumption in India. The money will be recovered from the Provincial Governments, and by them from the consumers. The result, so far as the Imperial Government is concerned, is that we shall be enabled by so much to increase our reserve of Bengal opium.

20. The increased expenditure under *General Administration*, namely, 28,076 rupees, is made up of a number of small items, which are given in detail in para. 35 of the Resolution.

21. There was a considerable temporary increase of expenditure under *Scientific and other Minor Departments*, namely, 1,28,940 rupees. Of this, 47,253 rupees is due to additional grants on account of the census, and 12,000 rupees for expenditure on account of the Amsterdam Exhibition. An increase of 6,442 rupees took place on account of the establishment of an Epigraphical survey, and of 26,340 rupees on account of personal allowances to certain officers of the Survey Department to compensate them for slow promotion in the regular line. The remainder is made up of small items, of which details are given in para. 43 of the Resolution.

22. There is a large increase under *Political*, namely, 2,43,523 rupees. Of this amount, 24,000 rupees is due to the salary of Lieutenant Colonel Sir O. St. John. The whole of the salary of Colonel St. John has not, however, been spent, as shortly after the sanction was given Colonel St. John proceeded on furlough, and drew only the furlough allowances admissible under the rules. He was absorbed into the regular establishment on his return from furlough. Of the balance, about 1,00,000 rupees is due to expenses arising out of the Afghan War. A sum of 14,298 rupees represents expenditure incurred by His Excellency the Governor of Bombay on the occasion of his visiting Baroda for the purpose of investing His Highness the Gaekwar; 6,271 rupees is due to increased establishments for the Mysore Residency consequent on the rendition of Mysore to the Native Government.

23. The increase under *Assignments and Compensations*, namely, 1,08,850 rupees, is due to compensations granted to Native States under agreements for the abolition of transit duties on salt, and also to compensation paid to the Government of Portuguese India for loss of Customs revenue owing to the adoption of the British Tariff as revised in 1882. This money is well laid out, as it frees trade and serves, indirectly, to increase the revenue.

24. The increase under *Territorial and Political Pensions* is almost entirely due to the re-purchase of certain jewels sold by the ex-Nawab Nazim of Bengal

at a cost of 96,358 rupees. It was thought advisable for political reasons to incur this charge.

25. The increase under *Miscellaneous* is 68,053 rupees, the main item being 38,133 rupees on account of the pay and travelling allowances of Mr. Peacock, President of a Committee appointed to collect evidence regarding the working of the Police systems on the Eastern Bengal, the Northern Bengal, the Great Indian Peninsula, the Oudh and Rohilkhand, and the Sind, Punjab, and Delhi Railways, in order to admit of a comparison being made between these systems and the system in force on the East Indian Railway. The items which make up the remainder of the increase are shown in detail in para. 47 of the Resolution.

26. Under *Railways* the increase amounts to 4,91,060 rupees. The principal items are 1,61,000 rupees on account of land provided free of cost as stipulated in the contract for the Bengal Central Railway, and 3,23,000 rupees on account of land required for the Patna-Baraich Railway. The latter amount is under present arrangements to be eventually repaid to the Government out of the half profits over six per cent.; but a proposal is now before your Lordship regarding the relinquishment of the claim of Government to half profits over six per cent.; and, if the proposal be accepted, the land will have been provided free of cost.

27. The total increase under *Civil Buildings, Roads, and Services*, is 18,57,158 rupees. The principal items are as follows:—

- (1.) 5,50,000 rupees, being grant for Secretariat buildings at Simla. This will save expenditure on account of office rents which are now being paid.
- (2.) 4,47,204 rupees for the purchase of the Bengal Iron Works. This money will be repaid to the Government in the event of the Works being sold to a private Company.
- (3.) 50,000 rupees for cost of repairs of the Sulkea Salt Golahs in Bengal. These repairs were very much required, and it would have been false economy to have delayed them.
- (4.) 1,00,000 rupees, being expenditure on clerks' quarters at Simla. This is really capital expenditure, as rent will be charged on the quarters.
- (5.) 5,50,000 rupees expended on the Salt Works at Uru in the Bombay Presidency. This expenditure is productive, as it will increase the supply of salt.

28. The increase under *Army*, exclusive of the cost of the Egyptian Expedition, is 24,950 rupees. Of this amount, 12,200 rupees is compensation for camels lost during the Afghan War.

29. The increase of 6,21,800 rupees under *Productive Public Works* does not, of course, affect the ordinary Revenue and Expenditure Account. The item of 5,67,000 rupees is a transfer from Provincial to Imperial on account of expenditure on the Madras Harbour Works, and is intimately connected with the sum of 6,50,000 rupees, which is a contribution from Imperial to Provincial (see para. 54 of the Resolution). There were a number of outstanding financial questions with the Madras Government which were finally settled on the occasion of the Honourable Major Baring's visit to Madras last winter. It was then agreed, on behalf of the Imperial Government, to give back this sum of 5,67,000 rupees to the Madras Government. The result is that in the total of sanctioned expenditure this figure is entered twice.

30. We have already mentioned (para. 16) that, exclusive of the Egyptian expenditure, the total temporary increase of Imperial expenditure amounted to 56,01,439 rupees. Of this amount, however, if we deduct 6,21,800 rupees under *Productive Public Works*, and 5,67,000 rupees under *Contributions*, making a total of 11,88,800 rupees, a balance remains of 44,12,639 rupees. Of this latter sum, however, 1,08,500 rupees was, as already explained (paragraph 18), advisedly given for extended forest operations from which largely increased revenue was expected;

expected; 75,000 rupees under *Forest* will be repaid to the Government by the Patna-Baraitch Railway; 7,20,000 rupees is for the purchase of opium which will be resold; 49,850 rupees under *Assignments and Compensations* is really due to a reduction of taxation, being compensation given to Native Princes for the loss of transit duties on salt; 3,23,000 rupees under *Railways* will eventually be repaid to Government under existing arrangements; 4,47,204 rupees under *Civil Buildings, Roads, and Services* will be repaid when the Bengal Iron Works are sold; 1,00,000 rupees under *Civil Buildings, Roads, and Services*, being the amount expended on clerks' quarters, is really an investment, as rent will be paid; 5,50,000 rupees under *Civil Buildings, Roads, and Services*, for Secretariat Buildings, is also an investment, as rents for offices at Simla will be saved; 5,50,000 rupees, also under *Civil Buildings, Roads, and Services*, being the amount spent on the Uru Salt Works, will, it may confidently be anticipated, be productive of an increase of revenue. Adding these sums together, we get a total of 29,23,554 rupees. If we deduct this from the figure given above, of 44,12,639 rupees, we arrive at a figure of 14,89,085 rupees. This, therefore, represents approximately the increase of unrecoverable expenditure sanctioned temporarily during the year. And even of this, it must be remembered, that a considerable portion is in a sense productive.

31. The Permanent Provincial expenditure sanctioned during the year amounted to 2,28,983 rupees. This, however, is a net figure. There was a small saving of 433 rupees under *Excise* due to the abolition of the post of Assistant to the Collector of Calcutta. The increase of expenditure under other heads amounted to 2,29,416 rupees.

32. Under *Land Revenue* additional expenditure to the amount of 24,700 rupees was sanctioned, the principal item being 13,645 rupees in Madras, due to the revival of the appointment of Director of Revenue Settlements, and to the increase of 100 rupees a month to the pay of the Agricultural Reporter who will be Personal Assistant to the Director.

33. The increase of 84,812 rupees under *Forest* is principally due to the moiety which the Local Governments have to bear on account of the cost of reorganising the superior staff of the Forest Department in the Bengal Presidency, and also to the additional cost involved in the reorganisation of the Madras Forest Department.

34. The increase of 11,993 rupees under *General Administration* is due to the grant of a local allowance of 500 rupees a month to the Commissioner of Peshawar; to the extension of the system of the audit of local accounts in Bengal; and to the division of the Hanthawaddy District in Burma into two districts.

35. The increase of 24,550 rupees under *Scientific and other Minor Departments* is due to the creation of a Directorship of Agriculture in Assam, and of an Assistant Directorship in the North-Western Provinces and Oudh.

36. Under *Law and Justice* additional expenditure to the extent of 12,588 rupees was sanctioned. This was mainly due to the creation of a second grade Senior Judgeship at Broach in the Bombay Presidency.

37. Increased expenditure to the extent of 42,542 rupees was sanctioned under *Police*. Of this amount, 12,092 rupees occurred in Burma, and is due to the necessity of increasing the strength of the Police Department in that Province, and of revising the pay of the police serjeants of the Rangoon Town District Police. Further, 17,100 rupees was required in Madras to strengthen the police force of the Hill Tracts of the Northern Circars.

38. The remaining items of Provincial permanent expenditure do not appear to call for any special remark.

39. Turning to provincial temporary expenditure, it is to be observed that the total increase sanctioned amounted to 29,09,514 rupees. Of this amount, 1,05,470 rupees occurs under *Land Revenue*. The principal items are 45,572 rupees, being an additional grant for the survey and settlement of the Cachar District in the Province of Assam, and 34,000 rupees for the preparation of a survey map of the Tanjore District of the Madras Presidency.

The other increases are made up of small items, and are given in detail in paragraph 73 of the Resolution.

40. Under *Forest* increased expenditure to the extent of 2,03,454 rupees was sanctioned. Of this amount, 1,08,500 rupees was in Burma, and, as has been already explained (paragraph 18), is due to extended timber operations; 75,000 rupees was in the North-Western Provinces and Oudh, and is on account of the supply of sleepers to the Patna-Baraich Railway.

41. Increased expenditure amounting to 27,997 rupees was sanctioned under *General Administration*. The principal item is 17,888 rupees in Madras, being an advance payment, to be recovered in four equal annual instalments, from the contract allowance of his Excellency the Governor.

42. An increase of 30,651 rupees occurred under *Scientific and other Minor Departments*. The details are given in paragraph 85 of the Resolution.

43. Increased expenditure to the amount of 2,28,704 rupees was sanctioned under *Law and Justice*. Full details are given in paragraph 80 of the Resolution.

44. No further explanations beyond those which are given in paragraphs 81 and 82 of the Resolution are necessary as regards the increase of expenditure of 11,475 rupees under *Police*, and 23,875 rupees under *Marine*.

45. The increase of 14,50,900 rupees under *Railways* is almost entirely due to an additional allotment made by the Lieutenant Governor of the North Western Provinces and Oudh for the construction of the Cawnpore-Farakhabad Railway, and for railway workshops at Fatehgarh.

46. Increased expenditure to the extent of 1,11,791 rupees was sanctioned under *Civil Buildings, Roads, and Services*. Of this amount, a sum of 60,000 rupees was granted by the North-Western Provinces Government to the Agra Municipality for the purpose of improving the water supply in that city. The remaining increases are made up of small amounts, and are given in detail in paragraph 90 of the Resolution.

47. The sum of 6,00,000 rupees under *Contributions* is a grant by the Bengal Government to Local Funds for feeder-roads.

48. It will be seen, therefore, that of a total sum of 29,09,514 rupees, 1,08,500 rupees was due to extended timber operations in Burma; 75,000 rupees was due to the supply of sleepers to the Patna-Baraich Railway, which will be repaid to the Government; 14,50,000 rupees was for expenditure on the Cawnpore-Farakhabad Railway; 6,60,000 rupees (namely, 60,000 rupees to the Agra Municipality, and 6,00,000 rupees for feeder-roads, in Bengal) was due to works which will directly increase the material prosperity of the country. These figures added together make a total of 22,93,500 rupees, leaving a balance of 6,16,014 rupees for other miscellaneous expenditure.

49. We wish to explain that this Despatch and its accompanying Resolution were drafted before the receipt of your Lordship's Despatch, No. 183, of 28th June 1883, and before the report of the recent debate in the House of Commons on Indian expenditure had reached India.

We have, &c.

Ripon.

D. M. Stewart.

E. Baring.

T. F. Wilson.

C. P. Ilbert.

S. C. Bayley.

T. C. Hope.

Enclosure in No. 4.

RESOLUTION of the Government of India, 3 August 1883; No. 2447.

1. FROM the commencement of the financial year 1882-83, a record has been kept in the Financial Department of all sanctions which have been given to fresh expenditure; this record, it will be understood, includes all expenditure which, under existing rules, required the sanction of the Government of India in the Financial Department.

2. The total amount of additional expenditure sanctioned from 1st April 1882 to 31st March 1883 is shown in the following table:—

	Imperial.	Provincial.
	<i>Rs.</i>	<i>Rs.</i>
Permanent - - - - -	2,48,550	2,28,983
Temporary - - - - -	2,36,01,439	29,09,514
Total - - - <i>Rs.</i>	2,38,49,989	31,38,497

I.—IMPERIAL (PERMANENT).

3. The permanent increase of Imperial expenditure took place under the following heads:

	<i>Rs.</i>
5. Land Revenue - - - - -	19,441
6. Opium - - - - -	18,927
9. Excise - - - - -	— 433
12. Assessed Taxes - - - - -	136
13. Forest - - - - -	40,112
14. Registration - - - - -	3,695
15. Post Office - - - - -	6,258
16. Telegraph - - - - -	2,381
17. Mint - - - - -	2,250
18. General Administration - - - - -	41,196
19. Law and Justice - - - - -	319
20. Police - - - - -	7,027
21. Marine - - - - -	4,275
23. Ecclesiastical - - - - -	132
25. Political - - - - -	62,320
26. Scientific and other Minor Departments - - - - -	3,628
27. Territorial and Political Pensions - - - - -	14,320
29. Superannuation Allowances and Pensions - - - - -	19,102
47. Military Works - - - - -	66
49. Army - - - - -	3,398
Total - - - <i>Rs.</i>	2,48,550

4. 5. Land Revenue.—The increase of 19,441 rupees is made up of the following items:—

	<i>Rs.</i>
(India) Revision of the scale of pay for Taluk establishments in Coorg - - - - -	19,308
(India) Entertainment of an additional Gomastah on 15 rupees a month for Mahadeopet, Coorg, with effect from 5th June 1882. (This is part of the revised scale of Taluk establishments in Coorg) - - - - -	133
Total - - - <i>Rs.</i>	19,441

CORRESPONDENCE RELATING TO

I.—IMPERIAL (PERMANENT)—*continued.*

5. 6. *Opium.*—The increase of 18,927 rupees is made up of the following items:—

	<i>Rs.</i>
(Bengal) Expenditure of <i>Rs.</i> 46. 14. a year, on account of rent of the land adjoining the weighing godown of the Ghazipur Opium Factory - - - - -	47
(Bengal) Revision of pay of the officers of the Opium Department, Bengal, involving an extra cost of 54,300 rupees a year, with effect from 1st November 1882 - - - - -	18,100
(Bombay) Revision of the Opium Establishment in Bombay for the purpose of carrying out a complete registration and inspection of the opium traffic, involving an additional expenditure of <i>Rs.</i> 474. 8. a month - - - - -	780
Total Increase - - - <i>Rs.</i>	18,927

6. 9. *Excise.*—The saving of 433 rupees in Bengal was due to the abolition of the post of Assistant to the Collector of Calcutta as a separate appointment by which a saving of 250 rupees a month is effected.

7. 12. *Assessed Taxes.*—The increase of 136 rupees is on account of a special allowance of 125 rupees a month to the Deputy Collector of Madras for the performance of work connected with the License Tax, with effect from the 13th January 1883; also increase to the establishment employed in the collection of License Tax in Madras, involving an extra cost of 35 rupees a month, with effect from 7th July 1882.

8. 13. *Forest.*—The increase of 40,112 rupees is made up of the following items:—

	<i>Rs.</i>
(Bengal Presidency) Reorganisation of Superior Staff of the Forest Department, with effect from 3rd September 1882 (moiety of additional cost) - - - - -	35,000
(Bombay) An annual expenditure of 54 rupees on account of rent for lands occupied by the Lingammat and Khanapur wood depôts in the Southern Forest Division of Bombay - - -	27
(Bombay) Expenditure of 19 rupees a month on account of the rent of certain plots of land required by the Forest Department in Sind - - - - -	85
(Assam) Increases to the Forest establishments and office establishments of Conservators of Forests in Assam from 2,149 rupees to 3,209 rupees a month, or 1,060 rupees, involving an annual increase of 12,720 rupees. The excess over the Budget grant for 1882-83 may be assumed at 10,000 rupees, the Chief Commissioner's sanction having taken effect from 1st May 1882 in some cases, and 1st July in others - - -	5,000
Total Increase - - - <i>Rs.</i>	40,112

9. 14. *Registration.*—The increase of 3,695 rupees is made up of the following items:—

	<i>Rs.</i>
(Bengal) Entertainment of a clerk on 40 to 50 rupees a month and a peon on 7 rupees a month for the office of the Registrar of Joint Stock Companies - - - - -	188
(Madras) Revision of salaries of the special Registrars and Sub-Registrars in the Madras Presidency, resulting in an increase of 11,812 rupees a year - - - - -	3,445
(India) Increased pay to some Registrars and Sub-Registrars in Coorg, involving a net increase of 22 rupees a month - - -	62
Total Increase - - - <i>Rs.</i>	3,695

I.—IMPERIAL (PERMANENT)—*continued.*

10. 15. *Post Office.*—The increase of 6,258 rupees is made up of the following items:—

	<i>Rs.</i>
(India) Revision of salaries of the office establishment of the Rangoon Post Office, involving an increase of 225 rupees a month - - - - -	2,250
(India) Increase to certain postal establishments involving an additional expenditure of 230 rupees a month - - - - -	2,300
(India) Appointment of an additional superintendent on 200 rupees a month, to inspect the Indian Post Offices in the Persian Gulf and Turkish Arabia, and to examine their accounts - - -	1,290
(India) Grant to the Postmaster and all the officials of the Aden Post Office, of a special allowance on account of night-work, fixed at five days' pay for each month, amounting to <i>Rs.</i> 117. 13. 4. a month - - - - -	354
(India) Entertainment of two inspectors on 150 rupees a month each, for supervising the District Post in Burma - - - - -	64
Total Increase - - - <i>Rs.</i>	6,258

11. 16. *Telegraph.*—The increase of 2,381 rupees is a net figure, and is made up of the following items:—

	<i>Rs.</i>
(India) Increase of <i>Rs.</i> 145. 4. a month to the establishment charges of the Persian Gulf Telegraph Department - - -	1,450
(India) Increase to the pay of the Deputy Director of the Persian Gulf Telegraph Department from 1,250 rupees a month to 1,125 rupees, rising to 1,500 rupees a month, with an immediate increase of 50 rupees a month - - - - -	550
(India) Expenditure of 150 rupees a month on account of pay of two posts of levies to be entertained at Chappar and Kach - -	1,800
(India) Entertainment of a clerk on 40 rupees a month in the Telegraph Office at Moulmein - - - - -	200
(India) Reorganisation of the establishment of the Indo-European Telegraph Department, resulting in a net saving of 1,007 rupees a month - - - - -	—2,014
(India) Increase to the pay of the Head Accountant of the Office of the Examiner of Telegraph Accounts from 250 rupees to 340 rupees (pay of 2nd Grade Accountant), to 350 rupees to 450 (pay of 1st Grade Accountant) - - - - -	70
(India) Appointment of a second message draft sorting clerk, on a salary of 25 rupees a month, for the Madras Signal Office, with effect from the 1st February 1883 - - - - -	25
(India) Entertainment in the Office of the Director General of Telegraphs of an additional clerk on 50 rupees a month, for the preparation of store accounts to be annually submitted to Government - - - - -	300
Net Increase - - - <i>Rs.</i>	2,381

12. 17. *Mint.*—The increase of 2,250 rupees is due to the appointment of Signor Moscetti as Assistant Engraver to the Calcutta Mint, on a pay of 250 rupees, rising to 300 rupees a month.*

13. 18. *General Administration.*—The increase of 41,196 rupees is made up of the following items:—

	<i>Rs.</i>
(India) Revision of salaries of the translators attached to the Legislative Department of the Government of India, at an increased cost of 20 rupees a month - - - - -	200
(India) Increase to Military Works Branch of the Military Secretariat, costing 230 rupees a month - - - - -	2,300
(India) Revised scale of establishment for the office of the Accountant General, Public Works Department, involving an additional expenditure of 865 rupees a month - - - - -	4,700
(India) Establishment for the Currency Office at Rangoon, costing 165 rupees a month - - - - -	2,790†

* Signor Moscetti vacated the appointment shortly after joining, owing to ill-health, and no new officer has since been appointed.

† The Currency Office Establishment in Rangoon has not yet been got together.

I.—IMPERIAL (PERMANENT)—*continued.*

(India) An additional clerk on 35 rupees, rising to 50 rupees, and a duftry on 7 rupees a month, required by the Legislative Department for carrying out certain improvements in the system of distributing the Indian Law Reports - - -	Rs. 206
(India) Appointment of Honourable Mr. T. C. Hope as a Member of the Viceroy's Council in charge of the Public Works Department - - - - -	31,000
Total Increase - - - Rs.	41,196
14. 19. <i>Law and Justice.</i> —The increase of 319 rupees is made up of the following items:—	
(India) Grant of a salary of 20 rupees a month to the clerk for the new Registration Office, on the introduction of the Registration Act III. of 1877 into the Settlements of Port Blair and the Nicobars, instead of 10 rupees a month allowed to the clerk employed in the convict Registry Office - - - - -	Rs. 65
(India) Entertainment of a bheestie for the lock-up at Beawar at 2 rupees a month, and another for the lock-up at Todgarh at 1 rupee a month - - - - -	36
(India) Entertainment of a small ministerial establishment for the Judicial Commissioner of Coorg, involving an extra cost of 145 rupees a month - - - - -	173
(India) Increase of Rs. 22. 8. a month to the salary of the foreman carpenter attached to the Marine Department of the Settlement of Port Blair and Nicobars - - - - -	45
Total Increase - - - Rs.	319
15. 20. <i>Police.</i> —The increase of 7,027 rupees is a net figure, and is made up of the following items:—	
(India) Grant of 2,920 rupees, or 10 rupees per head, for the clothing of the Peshin and Quetta Police - - - - -	Rs. 2,920
(India) Organisation of a regular police force in Coorg, involving an extra cost of 889 rupees a month - - - - -	3,556
(India) Reorganisation of certain branches of the Thuggee and Dacoity Department, resulting in a saving of 62 rupees a month - - - - -	— 186
(Punjab) Initial expenditure of 750 rupees, and a monthly expenditure of 315 rupees, for additional police force required on the portion of the Rewari-Ferozepore Railway from Rewari to Hissar - - - - -	630
(India) Increase to the pay of the 13 Naib Tomandars of the Thuggee and Dacoity Department from 20 rupees to 30 rupees a month each, at an aggregate annual cost of 1,560 rupees - - -	107
Net Increase - - - Rs.	7,027
16. 21. <i>Marine.</i> —The increase of 4,275 rupees is made up of the following items:—	
(India) Creation of the appointment of a Director and a Deputy Director, Indian Marine, and the abolition of the appointment of Superintendents of Marine, Calcutta and Bombay, and of the Secretary to the Superintendent, Calcutta, involving a monthly increase of 50 rupees, with effect from 1st April 1882 - - - - -	Rs. 550
(India) Revision of the Office Establishment of the Director of Indian Marine, costing 745 rupees a month, with effect from 3rd October 1882 - - - - -	3,725
Total Increase - - - Rs.	4,275
17. 23. <i>Ecclesiastical.</i> —The increase of 132 rupees is made up of the following items:—	
(India) Entertainment of a mali on 12 rupees a month for the Quetta cemetery - - - - -	Rs. 72
(Assam) Entertainment of a mali-chowkidar, on 7 rupees a month, for the Dhubri cemetery, with effect from 15th June 1882 - - -	60
Total Increase - - - Rs.	132

L.—IMPERIAL (PERMANENT)—continued.

18. 25. *Political*.—The increase of 62,320 rupees is a net figure, and is made up of the following items:—

	<i>Rs.</i>
(India) Revision of the office establishment of the Muscat Political Agency, involving an increased expenditure of Rs. 62. 8. a month	686
(India) Entertainment from 1st January 1882 of news-writers at Kandahar and Herat, with establishments, at a monthly cost of 470 rupees	5,640
(India) Increased office establishment for the Assistant Political Agent at Busreh, Turkish Arabia	792
(India) Pay of the British Agent, and the cost of establishments for the Agency at Cabul, at 1,723 rupees a month	19,476
(North-Western Provinces and Oudh) Expenditure on account of the Kuka prisoners in the Chmsar Fort	50
(India) Payment of 100 rupees a month as charge allowance, for a period not exceeding four months in the year, to the officer who may be appointed to the charge of the duties of the Residency Surgeon, Indore, during the absence of the latter officer on tour with the camp of the Agent Governor General, Central India, in the cold season	400
(Madras) Addition of two gullas to the establishment of the Government Treasury at Bangalore on 8 rupees a month each	176
(India) Entertainment of two peons in the office of the Assistant to the Agent, Governor, General, in charge of Peshin, on 8 rupees a month each	192
(India) Addition of 480 rupees a month to the Marri service, for the purpose of maintaining a small post of levies in the Pajjah plain, and of providing some suitable employment for Sirdar Mehrulla Khan's eldest son, Khair Bakhsh	4,320
(Punjab) Allowances to Saleh Muhammad Khan, Zamber Khel, and Sultan Muhammad Malik, Din Khel, the amount being added to the grant for Khyber subsidies	2,200
(Madras) Grant of a monthly allowance of 120 rupees for the permanent record establishment of the office of the Resident, Mysore	1,320
(India) Increased Allowance of 150 rupees a month to the Agency Surgeon, Indore, and to the Superintendent General of Dispensaries and Vaccination in Rajputana	3,600
(Punjab) Payment to the British Aksakul in Yarkund of 400 rupees, being his salary for the year ending 30th June 1882	400
(Bombay) Pay of the Native Assistant to the Political Agent at Rewa Kantha, which was reduced in 1880 from 300 rupees to 200 rupees a month, being restored to 300 rupees	800
(Punjab) Allowance of 250 rupees a month, with effect from the 1st July 1882, to each of the Kizilbash Sirdars, Habibulla Khan and Amir Mahomed Khan	4,000
(Bombay) Entertainment of an establishment, costing 1,032 rupees a year, for the maintenance of the garden attached to the bungalow at Kurrachee, which is reserved for the accommodation of Mirs and other persons of rank	1,032
(Madras) Increased establishment for the Mysore Residency	5,220
(Assam) Entertainment of a Burmese interpreter for the Political Agency at Manipur on 20 rupees a month	240
(Punjab) Revised scale of subordinate establishment for the Political Officer, Khyber, resulting in a saving of 150 rupees a month	—825
(Punjab) Allowance of 120 rupees a year for the maintenance of the tomb of the famous Sikh General, Harri Singh Nalwa	120
(India) Redistribution of the proposed grant of 500 rupees a month to the Barozai Sirdars, and the establishment of a post at Narigorge for the protection of trade and the Railway buildings there	2,000
(Punjab) Allowance of 300 rupees a month to Kazi Abdool Kadir, late British news-writer at Cabul, with effect from 1st October 1882	1,500

CORRESPONDENCE RELATING TO

I.—IMPERIAL (PERMANENT)—*continued.*

(India) Establishment of small dispensaries at Gulistan, Khushdill Khan, Thall Chotiali, and Kuch, each under the charge of a Hospital Surgeon, at a total cost of 260 rupees a month	Rs. 1,300
(North-Western Provinces and Oudh) Subsistence allowance of 30 rupees a month for life to Rao Hamir Sing, a political detenu	360
(India) Increased establishment for the Boundary Commissioner at Baroda, involving an extra cost of 35 rupees a month	420
(Assam) Appointment of an Assistant Political Officer at Sadiya to control political relations with the Abors and the neighbouring tribes	2,550
(Assam) Entertainment of a clerk on 40 rupees a month, and two peons on 7 rupees a month each, for the office of the Assistant Political Agent, Sadiya	162
(Punjab) Appointment of an Assistant to the Inspector General of Police, Punjab, on a salary of 500 rupees a month, with an extra allowance of 100 rupees a month, and of an Inspector under him on 200 rupees a month, with effect from the 1st April 1882 (moiety)	4,400
(India) Revision of the arrangements for the protection of the road and telegraph line in Pishin, resulting in a saving of 175 rupees a month	-2,100
(Punjab) Maintenance of a conservancy establishment at Jamrud costing Rs. 130. 8. a month	718
(North-Western Provinces and Oudh) House-rent to the Political Agent in charge of the Ex-Amir Yakub Khan, at 1,700 rupees a year	1,700
(Punjab) Revised rates of pay for the Political Officer, Khyber, and his Assistant, resulting in a saving of 100 rupees a month	-577
(India) Revision of the establishment of the Biluchistan Agency, entailing an additional expenditure of 75 rupees a month	48
Net Increase - - - Rs.	62,320

19. 26. *Scientific and other Minor Departments.*—The increase of 3,628 rupees is made up of the following items:—

(India) Appointment of an additional Zilladar of the 2nd class, on 25 rupees a month, for the Horse-Breeding Department in the Amritsar District	Rs. 250
(Bombay) Increase of 100 rupees a month to the pay of Mr. H. Cousens, Head Assistant in the Archæological Survey Department, Bombay	1,100
(India) Permanent appointment, with retrospective effect from the 16th May 1882, of a chaprassi on 7 rupees a month, for the Office of the Meteorological Reporter to the Government of India	67
(India) Entertainment of an additional computer in the Office of the Meteorological Reporter to the Government of India, on 45 rupees rising to 55 rupees a month, with effect from 3rd April 1882	495
(India) Appointment of Mr. E. Burke as Veterinary Overseer of the North-Western Provinces Stallion Depôt Stables, on a salary of 100 rupees rising to 150 rupees a month, with effect from the 24th May 1882	926
(India) Allowance of 15 rupees a month for the Meteorological Observer at the Seychelles Island	120
(India) Substitution of civilian for military observers at the four 2nd class observatories at Deesa, Poona, Kurrachee, and Belgaum, at an increased cost of 720 rupees a year	390
(India) Increase of 10 rupees a month to the pay of the Mortuary Clerk, Ajmere	40
(India) Employment of two assistant observers at the 2nd class observatories of Bellary and Trichinopoly, at 10 rupees each a month, with effect from December 1881	240
Total Increase - - - Rs.	3,628

I.—IMPERIAL (PERMANENT)—*continued.*

20. 27. *Territorial and Political Pensions.*—The increase of 14,320 rupees is made up of the following items:—

	<i>Rs.</i>
(India) Allowance of 800 rupees a month to General Jagat Jang, in addition to 700 rupees paid by the Nipal Durbar - - -	8,800
(Punjab) Allowance of 440 rupees a year for life to Ali Akbar Khan, of Kilabut in the Hazara District, in addition to the allowance he at present enjoys - - - - -	220
(Punjab) Allowance of 10,000 rupees a year for life to Saiyad Yakub Khan Torah, subject to good conduct and on the understanding that any future claims on the Kashmir Durbar are thereby cancelled, with effect from the 1st September 1882 - - - - -	5,000
(Punjab) Maintenance allowance of 50 rupees a month for life to Babu Khan in recognition of his services to the English hostages in Cabul in 1841 and 1842, with effect from the 1st September 1882 - - - - -	300
Total Increase - - - - <i>Rs.</i>	14,320

21. 29. *Superannuation Allowances and Pensions.*—Under this head the sanctions not covered by ordinary rules amounted to 19,102 rupees.

22. 47. *Military Works.*—The increase of 66 rupees is due to the revision of the pay of the jemadars and peons in the office of the Inspector General of Military Works, involving an extra cost of 11 rupees a month.

23. 49. *Army.*—The increase of 3,398 rupees is made up of the following items:—

	<i>Rs.</i>
(Bengal) Payment of 150 rupees a month, or 1,800 rupees a year, to the Kuki Khel Afridis for the supply of water to the fort at Jumrood - - - - -	1,800
(Bengal) Maintenance of a conservancy establishment at Jumrood costing <i>Rs.</i> 130. 8 <i>a.</i> a month (moiety) - - - - -	718
(Bengal) Additional allowance of 80 rupees a month for the office of the Assistant Adjutant General, Punjab Frontier Force, with effect from the 1st April 1882 - - - - -	880
Total Increase - - - - <i>Rs.</i>	3,398

II.—IMPERIAL (TEMPORARY).

24. The temporary increase of Imperial expenditure took place under the following heads:—

	<i>Rs.</i>
4. Assignments and Compensations - - - - -	1,08,850
5. Land Revenue - - - - -	1,46,789
6. Opium - - - - -	7,36,600
7. Salt - - - - -	1,661
8. Stamps - - - - -	100
12. Assessed Taxes - - - - -	1,130
13. Forest - - - - -	1,87,754
15. Post Office - - - - -	293
16. Telegraph - - - - -	28,112
17. Mint - - - - -	7,552
18. General Administration - - - - -	28,076
19. Law and Justice - - - - -	1,610
20. Police - - - - -	9,297
21. Marine - - - - -	6,282
22. Education - - - - -	13,899
23. Ecclesiastical - - - - -	2,730
24. Medical - - - - -	20,240
25. Political - - - - -	2,43,523
26. Scientific and other Minor Departments - - - - -	1,28,940
27. Territorial and Political Pensions - - - - -	96,958
29. Superannuation Allowances and Pensions - - - - -	39,170
30. Stationery and Printing - - - - -	13,350
31. Miscellaneous - - - - -	68,053

II.—IMPERIAL (TEMPORARY)—*continued.*

	<i>Rs.</i>
36 & 37. Railways - - - - -	4,91,060
46. Irrigation and Navigation - - - - -	502
48. Civil Buildings, Roads, and Services - - - - -	18,57,158
49. Army - - - - -	24,950
50. Military operations in Egypt - - - - -	1,80,00,000
52 to 55. Productive Public Works - - - - -	6,21,800
Contributions - - - - -	7,15,000
Total - - - <i>Rs.</i>	2,36,01,439

25. *4. Assignments and Compensations.*—The increase of 1,08,850 rupees is made up of the following items:—

	<i>Rs.</i>
(India) Compensation to his Highness the Maharao of Kotah for loss sustained on account of the abolition of transit duties on salt, at the rate of 16,000 rupees a year, with effect from August 1879 - - - - -	48,000
(India) Compensation to the States of Bundi, Tonk, and Shahpura on account of the abolition of transit duties on salt for the period prior to the execution of the agreement - - - - -	1,850
(Bombay) Compensation to the Government of Portuguese India for the loss of Customs revenue caused by the adoption of the British Tariff as revised in 1882 - - - - -	59,000
Total Increase - - - <i>Rs.</i>	1,08,850

26. *5. Land Revenue.*—The increase of 1,46,789 rupees is made up of the following items:—

	<i>Rs.</i>
(North Western Provinces and Oudh) Additional grant of 1,00,000 rupees in excess of the moiety, 5,80,000 rupees, estimated for cadastral survey in the North Western Provinces and Oudh -	* 1,00,000
(Assam) Expenditure on the survey and settlement of Cachar -	26,765
(India) Additional Grant of 5,000 rupees each to the cadastral survey parties of Ghazipore and Mirzapore - - - - -	† 10,000
(Burma) Deputation Allowance of 50 rupees a-month to Mr. Dowman, surveyor, 4th grade, while in charge of Waste Lands Grant Party in the Arracan District - - - - -	350
(India) Local Allowance of 100 rupees a month to Major Beavan, Assistant Superintendent, 2nd grade, in charge of the Biluchistan Survey, with effect from 27th November 1882 - - -	313
(India) Deputation of a special officer of experience from the North Western Provinces, for a term of three years, on a salary of 1,500 rupees a month, for the purpose of conducting the revision of the Ajmere settlement - - - - -	3,750
(Assam) Further expenditure for the demarcation of the southern boundary line between "A" villages in the Garo Hills District and the Khas Garo Hills villages - - - - -	111
(India) Cost of construction of a fortified post and masonry well at Mace in the Sibi District - - - - -	5,500
Total Increase - - - <i>Rs.</i>	1,46,789

27. *6. Opium.*—The increase of 7,36,600 rupees is made up of the following items:—

	<i>Rs.</i>
(Bengal) Construction of sheds at Mussowra, Paleegunge, and Bucktearpore in the Patna Sub-Agency, for weighing opium and making advances to the cultivators - - - - -	6,000
(Bengal) Purchase of 2,000 maunds of Malwa opium for the Bengal Excise Department - - - - -	7,20,000
(Bengal) Deputation allowance of 200 rupees a-month, in addition to his pay of 300 rupees a-month, to Mr. H. Hastings, Personal Assistant to the Opium Agent, Benares, for the period during which he was on special duty at Indore in connection with the scheme for the supply of Malwa opium for excise purposes - - - - -	600

* This lump assignment represents the Imperial share. The amount will be expended in connection with the Cadastral Survey in a series of years.

† Half of this will be recovered from Provincial revenues.

II.—IMPERIAL (TEMPORARY)—continued.

	<i>Rs.</i>
(Bengal) Purchase of the bungalow at Ballia in the Ghazipur Sub-Division of the Benares Agency, for the purpose of conducting the weighments and settlements of the Ballia Sub-Division -	10,000
Total Increase - - - <i>Rs.</i>	7,36,600

28. 7. *Salt*.—The increase of 1,661 rupees is made up of the following items:—

	<i>Rs.</i>
(India) Charge allowance of 250 rupees a month to Mr. R. J. Whitten, Deputy Commissioner, Northern India salt revenue, for officiating as Commissioner from the 3rd to the 19th February 1882 - - - - -	152
(India) Purchase of the house occupied by the peons of the Malgin salt mines in Kohat - - - - -	80
(India) Writing off of the amount stolen from a party who were taking money to Mozufferpore for payment to the salt establishment employed there - - - - -	449
(India) Extra grant to cover excess expenditure incurred in the Kohat District during 1881-82 - - - - -	280
(Bombay) Cost of providing ballast, water tanks, and cooking apparatus, for the boat under construction for the use of the assistant collector of salt revenue at Goa - - - - -	700
Total Increase - - - <i>Rs.</i>	1,661

29. 8. *Stamps*.—The increase of 100 rupees is a moiety of the cost of two hand-presses purchased for the collector of stamps, Calcutta.

30. 12. *Assessed Taxes*.—The increase of 1,130 rupees is a net figure, and is made up of the following items:—

	<i>Rs.</i>
(Madras) Allowance of 125 rupees a month to the deputy collector of Madras for the performance of work connected with the license tax, with effect from the 13th January 1883, and increase to the establishment employed in the collection of license tax in Madras, involving an extra cost of 35 rupees a month, with effect from 7th July 1882 - - - - -	101
(Bengal) Grant of an allowance of 250 rupees a month to the collector of Calcutta for extra work imposed upon him in connection with the License Tax Act - - - - -	1,375
(Bengal) Abolition of the post of assistant to the collector of Calcutta, who is also head assessor of license tax, resulting in a saving of 200 rupees a month - - - - -	—346
Net Increase - - - <i>Rs.</i>	1,130

31. 13. *Forests*.—The increase of 1,87,754 rupees is made up of the following items:—

	<i>Rs.</i>
(Punjab) Special allowance of 200 rupees a month to the forest officer of Bushahr, who is also political assistant to the superintendent of the Hill States in the Punjab - - - - -	1,100
(Assam) Moiety of special local allowance of 100 rupees to the district forest officer stationed in the Garo Hills - - - - -	450
(India) Cost of clearing lines through the jungle in the Sibi District, in order to demarcate forest limits - - - - -	200
(Punjab) Moiety of consolidated monthly travelling allowance to the forest ranger in charge of the range inside the fence of the Changa Manga plantations in the Lahore division of the Punjab - - - - -	42
(India) Cost of a tent for the inspector general of forests - - - - -	500
(Burma) Moiety of additional grant for forest expenditure in British Burma - - - - -	*1,08,500

* The items marked * and † under "Forests" were sanctioned on the distinct understanding that the receipts arising from these sleeper operations would exceed the expenditure.

II.—IMPERIAL (TEMPORARY)—*continued.*

(Bombay) Moiety of travelling allowance of 50 rupees a month to Mr. R. E. Kanga, Mamlatdar of Sinnar, while employed on special forest duty in the Nasik Collectorate	Rs. 112
(North-Western Provinces and Oudh) Moiety of additional grant on account of the supply of sleepers to the Patna-Bahraitch State Railway	†75,000
(Bombay) Moiety of deputation allowance to Mr. Betham, of the Forest Department, Bombay	75
(Punjab) Moiety of rent paid to the Raja of Mandi for the right of collecting waif timber in part of the Beas river, which flows through his territory	75
(India) Addition to the Coorg Forest Budget grant to meet the increased pay and allowances of Mr. F. B. Dickenson, assistant conservator of forests, consequent on his promotion to third grade deputy conservator	1,500
(India) Cost of printing some portion of the Manual of Sylviculture for the use of forest officers	200
Total Increase - - - Rs.	1,87,754

32. 15. *Post Office.*—The increase of 293 rupees is made up of the following items:—

(India) Writing off of the unrecoverable balance of Rs. 84. 13 a. stolen from the Bahadarganj Sub-Post Office on the 24th January 1882	Rs. 65
(India) Writing off from the books of the Poona Post Office of 100 rupees lost in the mail robbery of 11th September 1882 between Kirkee and Chakan in the Poona District	100
(India) Writing off of the sum stolen from the Canning Town Sub-Post Office on the 1st April 1882	128
Total Increase - - - Rs.	293

33. 16. *Telegraph.*—The increase of 28,112 rupees is made up of the following items:—

(India) Expenditure on the construction of a telegraph line from Sharigh to Kach	Rs. 3,700
(India) Cost of 1,000 copies of "Williams's Manual for Telegraph Employés"	3,000
(India) Payment to Mr. W. P. Johnston, electrician, in lieu of royalty claimed by him for having invented certain instruments, the use of which has enabled the Government to effect a saving of expenditure	3,600
(India) Conveyance allowance of 50 rupees a month each to the five officers of the Telegraph Department who are in technical charge of two or more telegraph offices in the same station	625
(India) Additional allotment on account of rent of signal offices in India	2,000
Honorarium of 5,000 rupees to Mr. Mance, of the Persian Gulf Telegraph Department, for his services in connection with the development of heliography	5,000
Grant of reward to certain members of the Indo-European Telegraph Establishment for extra work during the late Egyptian Campaign	10,115
Grant of reward to certain members of the Telegraph Department for extraordinary service rendered by them, in restoring telegraph communication between Madras and Ongole	72
Total Increase - - - Rs.	28,112

34. 17. *Mint.*—The increase of 7,552 rupees is made up of the following items:—

(Bombay) Entertainment of Mr. T. W. English for five years to work the automaton weighing machines at the Bombay Mint, on a salary of 250 rupees rising to 350 rupees a month	Rs. 2,750
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† The items marked * and † under Forests were sanctioned on the distinct understanding that the receipts arising from these sleeper operations would exceed the expenditure.

II.—IMPERIAL (TEMPORARY)—continued.

(Bombay) Grant to Mr. T. W. English, who has been appointed for the purpose of working the new automaton weighing machines in the Bombay Mint, of house-rent allowance at 40 rupees a month - - - - -	Rs. 212
(Bombay) Cost of certain alterations, additions and improvements in the Assay Office of the Bombay Mint - - - - -	3,000
(Bombay) Cost of a map of Bombay purchased by the Mint Master - - - - -	30
(Bombay) Purchase of books for the Library of the Bombay Mint - - - - -	300
(India) Honorarium of one month's pay to Messrs. Clark, Wareham, and Purchase, of the Engineering establishment of the Calcutta Mint, in recognition of their services in connection with the experimental manufacture of cartridge metal - - -	1,260
Total Increase - - - Rs.	7,552

35. 18. *General Administration*.—The increase of 28,076 rupees is made up of the following items :—

(India) Personal allowance of 30 rupees a month to Mr. C. Chater, a clerk in the Military Secretariat - - - - -	Rs. 330
(India) Extra allowance of 80 rupees a month to Mr. J. A. Heberlet, a 1st class clerk in the Military Secretariat, for being in charge of the Calcutta Branch of that Department during the absence of the head-quarters of the Government of India at Simla in 1882 - - - - -	640
(India) Salary of Mr. R. Logan, B.C.S., Officiating Under Secretary to the Government of India in the Department of Finance and Commerce, whilst on special duty under the Government of India in that Department - - - - -	3,780
(India) Continued retention to the end of 1882-83 of the temporary establishment sanctioned for the Savings Bank Branch of the Comptroller General's Office - - - - -	2,920
(India) Entertainment in the Military Secretariat of certain temporary establishments, costing 442 rupees a month, consequent on the increase of work in connection with the preparations for sending an Indian contingent to Egypt - - -	3,094
(India) Establishments, costing 197 rupees a month, for the work of the circle offices at Calcutta and Bombay in connection with the issue of stock notes - - - - -	1,182
(Madras) Entertainment of a clerk on 50 rupees a month for the work of the circle office at Madras in connection with the issue of stock notes - - - - -	300
(India) Entertainment in the Military Department, Calcutta, for a period of two months, of two extra clerks, on 35 rupees each, to assist in the additional work thrown on that Department in connection with the engraving, examining and distributing of Afghan medals and clasps - - - - -	140
(India) Additional grant to meet excess expenditure on account of "Service Telegrams" of the Home Department for the year 1882-83 - - - - -	2,000
(India) Extra allowance of 50 rupees a month to Mr. A. H. Wilson, a 4th class clerk of the Military Department, raised to 100 rupees a month - - - - -	183
(India) Expenditure not exceeding 456 rupees a year for connecting No. 1, Harrington-street, the Government Press, and 55, Park-street, by a telephone line - - - - -	228
(India) Additional expenditure of 60 rupees a year for connecting No. 1, Harrington-street, with No. 1, Dalhousie-square, by a telephone line - - - - -	30
(India) Allowance of 150 rupees a month from 19th April 1882 to Mr. G. W. DeRhe Philipe, a clerk in the Military Department, for making a complete and annotated collection of despatches relating to the military operations of the British nation in India from the earliest times - - - - -	1,575
(India) Retention for a period, not exceeding two months, of the two extra clerks entertained in the Military Department on account of additional work in connection with the distribution of the Afghan medals - - - - -	140

II.—IMPERIAL (TEMPORARY)—*continued.*

	<i>Rs.</i>
(India) Retention at Simla during the winter season of 1882-83 of an establishment in charge of the records of the Foreign Department, at a monthly cost of <i>Rs.</i> 28. 8. 10. - - - -	143
(India) Salary of Mr. B. J. Crosthwaite, Officiating Judicial Commissioner, Central Provinces, for two months, whilst officiating as an Additional Secretary to the Government of India in the Legislative Department, on account of the very heavy additional work in that Department in connection with the Bengal Tenancy Bill - - - - -	7,000
(India) Personal allowance of 3,000 rupees a year to Mr. Mackenzie, Secretary in the Home Department, with effect from 8th January 1883 - - - - -	444
(India) Retention of two clerks for a further period of two months for additional work in connection with the distribution of Afghan medals, with effect from 1st February 1882 - -	140
(India) Grant to Mr. W. F. Agnew for the services of a clerk to assist him in preparing the index to the enactments relating to India - - - - -	150
(India) Reward to certain members of a section of the Comptroller General's Office for extra work imposed upon them in connection with the revised classification of accounts and the preparation of the Budget Estimate for 1883-84 - - - -	750
(Bombay) A supplemental grant of 2,800 rupees to meet extraordinary contingent charges of the Office of the Accountant General, Bombay - - - - -	2,800
(Madras) Travelling expenses from Madras to Ootacamund and back of the Honourable Mr. Mackenzie, a non-official member of the Madras Legislative Council, for attending the meeting of that Council held at Ootacamund on the 26th August 1882 - - - - -	107
Total Increase - - - <i>Rs.</i>	28,076

36. *19. Law and Justice.*—The increase of 1,610 rupees is made up of the following items:—

	<i>Rs.</i>
(India) Charge allowance of 100 rupees a month to Major Dalrymple for being in temporary charge of the Office of Cantonment Magistrate, Neemuch, in addition to his other duties, from 18th August to 29th October 1881 - - - - -	235
(India) Allowance of 250 rupees a month to the Chief Judge of Mysore for performing the duties of the Judicial Commissioner of Coorg - - - - -	1,375
Total Increase - - - <i>Rs.</i>	1,610

37. *20. Police.*—The increase of 9,297 rupees is made up of the following items:—

	<i>Rs.</i>
(Punjab) Continued entertainment up to 31st March 1883 of the additional police establishment for the Indus Valley State Railway - - - - -	3,173
(Punjab) Cost of saddlery supplied to the Jezailchi Corps in the Khyber - - - - -	1,668
(Punjab) Expenditure upon the repair of lines constructed for the occupation of the Jezailchi Corps stationed at Loarji - -	500
(Bombay) Excess charges incurred on account of the police on the Western Rajputana State Railway - - - - -	3,156
(Punjab) Initial expenditure for additional police force required on the portion of the Rewari-Ferozepore Railway from Rewari to Hissar - - - - -	750
(Bombay) Office rent at 5 rupees a month for the Inspector of Police, Western Rajputana State Railway, for a further period of 12 months from 1st May 1882 - - - - -	50
Total Increase - - - <i>Rs.</i>	9,297

II.—IMPERIAL (TEMPORARY)—*continued.*

38. 21. *Marine.*—The increase of 6,282 rupees is made up of the following items:—

	<i>Rs.</i>
(India) Additional expenditure for taking over the steam launch "Eden" for submarine mining service at Rangoon - - -	6,000
(Bombay) Expenditure on account of provisions supplied to the pilgrim passengers per S.S. "Hesperia" while that vessel was detained in quarantine at Aden in August 1882 - - -	282
Total Increase - - - <i>Rs.</i>	6,282

39. 22. *Education.*—The increase of 13,899 rupees is made up of the following items:—

	<i>Rs.</i>
(Punjab) Grant for the purchase of a parsonage and the building of a school-house for the education of the children of the Eurasian clerks and the middle classes generally at Simla -	12,000
(India) Excess expenditure of the Mayo College for 1882-83 -	1,649
(India) Expenditure of 250 rupees incurred in the Office of the Board of Examiners on account of contingent charges - -	250
Total Increase - - - <i>Rs.</i>	13,899

40. 23. *Ecclesiastical.*—The increase of 2,730 rupees is made up of the following items:—

	<i>Rs.</i>
(Bengal) Payment to the Church of Scotland Additional Clergy Society as refund of passage money of the Reverend J. Henderson of Meerut, who has been appointed to a Chaplaincy on the Bombay Ecclesiastical Establishment - - -	1,500
(Bengal) House allowance of 90 rupees a month to the Reverend J. Willcocks, Chaplain of St. James's Church, Calcutta, for a period of two months, during which the parsonage attached to the church was under repair - - -	180
(North Western Provinces and Oudh) Allowance of 100 rupees a month to Reverend G. H. McGrew for ministering to the Presbyterian troops at Cawnpore, with effect from 1st September 1882 - - -	600
(Bombay) Cost of replacing the altar cloth stolen from the Malgaon Church - - -	150
(Bengal) Grant towards the cost of Communion plate and an altar cloth for the church at Jellapahar - - -	300
Total Increase - - - <i>Rs.</i>	2,730

41. 24. *Medical.*—The increase of 20,240 rupees is due to the Imperial subscription to the Simla Hospital, and to the grant of a special allowance of 30 rupees a month to the Assistant Surgeon in charge of the Rawalpindi Hospital for supervising the sanitary arrangements in connection with the railway employes at that place.

42. 25. *Political.*—The increase of 9,43,523 rupees is a net figure, and is made up of the following items:—

	<i>Rs.</i>
(India) Salary of Lieutenant Colonel St. John, appointed a supernumerary Resident of the 2nd class, at 2,000 rupees a month -	24,000*
(India) Personal allowance of 200 rupees a month to Major F. A. Wilson, from the date on which he was relieved by Major Clerk of the office of Tutor to his Highness the Nizam of Hyderabad to 10th February 1882 - - -	600
(Burma) House-rent allowance of 100 rupees a month to Shah Zemani Begum, wife of Prince Jewan Bakht, and also an allowance of 100 rupees a month, in addition to the previous allowance of 250 rupees, to meet the cost of a separate establishment - - -	2,200
(India) Donation to Sirdar Muhammad Hussain Khan of Kandahar - - -	5,000
(North Western Provinces and Oudh) Grant to Rao Hamir Sing, a Government detenu at Moradabad - - -	200

* This increase is nominal. The appointment was created only with the object of increasing the furlough allowance of Lieutenant Colonel St. John, who was to be absorbed in the regular line on his return from furlough.

II.—IMPERIAL (TEMPORARY)—*continued.*

	<i>Rs.</i>
(India) Salary of Assistant Surgeon Abdur Rahim as Native Assistant to the Resident in the Persian Gulf, at 350 rupees a month	2,520
(Assam) Deputation allowance to Major Beresford from 13th November 1881 to 13th February 1882 whilst in charge of the political duties connected with the establishment of the Nizam Ghat outpost	450
(North Western Provinces and Oudh) Grant of 6,000 rupees to Sirdar Yahya Khan in lieu of the house allowance of 50 rupees a month drawn by him	6,000
(India) Cost of 14 sets of insignia of the Indian Empire	4,935
(Bombay) Expenditure incurred by his Excellency the Governor of Bombay in visiting Baroda for the purpose of investing his Highness the Gaekwar in December 1881	14,298
(India) Cost of land required for the purpose of extending the limits of the Ajmere Cantonment	3,336
(India) Cost of four elephants purchased for the ex-Amir Yakub Khan	8,000
(North Western Provinces and Oudh) Travelling expenses of four followers of the ex-Amir Yakub Khan returning to their homes	300
(India and North Western Provinces and Oudh) Grant of 6,000 rupees to the ex-Amir Yakub Khan for the purchase of two houses at Mussoorie, in lieu of the monthly house-rent allowance of 200 rupees	6,000
(India) Allowance of 100 rupees a month to Mr. Ingle, Treasury Officer at Quetta, in addition to his present salary of 800 rupees a month	600
(Assam) Purchase of furniture for the Manipur Residency	3,500
(Punjab) Grant to Sirdars Naib Mir Muhammad Khan and Muhammad Rahim Khan, Afghan refugees, of a lump sum of 20,000 rupees in satisfaction of all claims to increased allowances	20,000
(India) Personal allowance of 200 rupees a month to Nawab Hasan Ali Khan	2,400
(India) Cost of new tents purchased for the Eastern Rajputana States Agency	2,761
(India) Increased allowance of 150 rupees a month to the Surgeon of the Mysore Commission	1,800
(India) Special deputation of Rai Bahadur Hittu Ram, C.I.E., for a period not exceeding six months, with an establishment costing 246 rupees a month, for the purpose of assisting the officers of the Biluchistan Agency in revising the revenue administration of the various districts under their charge	1,476
(Punjab) Compensation to Gohram Khan, a Shambani Bugti, late a Jemadar in the Punjab Frontier Militia, for loss sustained by him in consequence of certain orders passed by Mr. Gladstone, the Officiating Deputy Commissioner of Dera Ghazi Khan	800
(Bombay) Further expenditure for the repairs of the Muscat Agency buildings	2,253
(India) Cost of new tents purchased for the Political Agency at Bhopal	3,000
(India) Cost of new tents purchased for the use of the Agent, Governor General, Central India	2,983
(Punjab) Remittance of 500 rupees to Haji Atta-Ulla Khan, who is believed to be now in confinement in the Daur Valley	500
(Bombay) Reduction in the allowances of certain Kandahar refugees from 2,400 rupees to 670 rupees a month	—12,110
(Bombay) Initial expenditure on the garden attached to the bungalow at Kurrachee which is reserved for the accommodation of Mirs and other persons of rank	500
(Bombay) Continuance of the allowance of 2 rupees and 4 rupees a day, respectively, to the two Kandahari refugees, Shere Ali and Sirdar Azizulla Khan	2,160
(Punjab) Writing off, as a present, the sum of 10,000 rupees lent to the Khan of Lalpura	10,000
(India) Cost of a new shamiana purchased for the Bundelkhand Political Agency Office	700

II.—IMPERIAL (TEMPORARY)—continued.

(Punjab) Present to Munshi Abdul Wahab for services rendered in Afghanistan	Rs. 100
(Madras) Increased establishment for the Mysore Residency	6,271
(Punjab) Allowance of 200 rupees a month to Lieutenant R. Broome for the period during which he was placed in charge of the Kabul Sirdars, Mustaufi Habibulla Khan and Wazir Shah Muhammad, at Murree	620
(India) Expenditure incurred on behalf of the ex-Amir Yakub Khan prior to the grant to him of a fixed allowance	26
(India) Expenses incurred by Sirdar Muhammed Afzul Khan, British Agent at Kabul, on his journey to Simla in July 1881	500
(India) Expenditure incurred in supplying water to the Mhairwara Battalion at Ajmere	123
(Bombay) Cost of a boat purchased for the Muscat Consulate to replace the present one, which is reported to be unserviceable	800
(Punjab) Continuance of the allowance of 100 rupees a month to a clerk in the Office of the Commissioner of Peshawar on account of increased political work in connection with Kabul affairs, and conversion of the allowance of 50 rupees a month to the Superintendent or Deputy Superintendent of the same office into a personal allowance to Pundit Isur Doss, so long as he retains his present office	1,800
(Bengal) Payment to Tendook Palger, Tashildar of Darjeeling, of so much of the sum of 15,000 rupees as will enable him to buy up the share of his nephew Samun Sering in certain villages	15,000
(Assam) Salary of the Burmese clerk who accompanied Mr. R. Phayre on the commission appointed to demarcate the boundary between Assam and Manipur	1,100
(Bombay) Entertainment of an establishment costing 36 rupees a month for working two six-pounder guns in Kathiawar for saluting purposes	36
(Punjab) Travelling expenses of Ali Muhammad Khan to Kabul	200
(Punjab) Allowance of 100 rupees a month to Sirdar Sultan Muhammad Khan of Kabul	600
(Punjab) Cost of providing carpets and of building a latrine for the house occupied by Mustaufi Habibulla Khan and Wazir Shah Muhammad, Afghan detenus	176
(India) Continuance up to 17th May 1882 of the special allowance of 500 rupees a month to Lieutenant-Colonel W. G. Waterfield, Officiating Agent to the Governor General in Beluchistan	1,750
(India) Expenditure incurred for the protection of the British cemeteries at Kandahar	2,127
(India) Cost of a horse purchased by Munshi Ghulam Mohi-ud-din, clerk to the British Agent at Kabul	80
(India) Sum paid to Sheikh Usman, an Afghan, who was in the service of Government from September 1880, but whose services are no longer required	600
(Bombay) Appointment of a Second Assistant to the Agent, Governor General, at Baroda, on a salary of 650 rupees a month, instead of the Residency Surgeon, resulting in a saving of Rs. 443. 2. a month	—2,659
(India) Part of the salary of the Additional Political Agent, Eastern States of Rajputana, also contribution payable thereon towards pension and leave allowances, with effect from 6th September 1882	2,333
(Punjab) Expenditure of 540 rupees a year, which has hitherto been met from the forfeited allowance of 2,000 rupees a year formerly paid to the Jowaki Afridis	225
(India) Extra expenditure on the purchase of a shamiana for the use of the Political Agent, Bundelkhand	50
(Bombay) Cost of tents purchased for the Baroda Agency	4,146
(Punjab) Pay and travelling expenses of Kazi Abdul Kadir, the late news-writer at Kabul	6,100
(India) Reward paid to Haji Ata-ulla Khan	2,000
(India) Certain charges of the Political Agency at Beluchistan heretofore held under objection	7,469

II.—IMPERIAL (TEMPORARY)—*continued.*

	<i>Rs.</i>
(North-Western Provinces and Oudh) Expenditure incurred in the removal of Rao Hamir Singh, a political detenu, from Moradabad to Pali - - - - -	400
(India) Payment to the Chartered Mercantile Bank of India, London, and China, of the cost of 12 sets of Insignia of the Order of the Indian Empire - - - - -	4,304
(Punjab) Advance to Sirdar Abdul Wahid Khan, eldest son of Sirdar Sikandar Khan, to enable him to join his father in Persia - - - - -	500
(Bombay) Expenditure on the obsequies of Bai Vakut Kuverba, one of the widowed Ranis of the late Raja of Mundai - - - - -	4,500
(India) Additional expenditure on the repairs of the Government buildings at Zanzibar - - - - -	1,200
(Punjab) Expenditure incurred in connection with the Zaimusht expedition - - - - -	10,417
(North-Western Provinces and Oudh) Expenses of the "Ganna" ceremony of Kunwar Bhir Bahadar Sing, grandson of the late Raja Bulwunt Sing of Benares - - - - -	2,000
(Punjab) Payment of a lump sum to Sirdar Muhammad Nasir Khan, an Afghan refugee, to enable him and his followers to go to Mecca - - - - -	5,000
(India) Cost of new tents purchased for the Political Agency at Jacobabad - - - - -	2,200
(India) Revival of the allowance of 1,000 rupees a month to Sirdar Muhammad Alum Khan from the date of his return from Afghanistan, so long as he remains in India and is of good conduct - - - - -	679
(India) Charging off in the Quetta Treasury accounts for May 1882 of 5,108 rupees on account of a deficit in the Kandahar accounts - - - - -	5,108
(India) Entertainment of an extra Munshi under Sirdar Muhammad Afzal Khan, British Agent at Kabul, on 80 rupees a month till 1st April 1883 - - - - -	200
(India) Payment to the Chartered Mercantile Bank of India, London, and China, of the cost of 20 sets of Insignia of the Order of the Indian Empire - - - - -	7,455
(India) Expenditure on the repairs of the Spirsang-Prangdara road, between Spirsang and Kam Dakka - - - - -	7,000
(India) Payment in settlement of Miss Pöyntz's claim against the Burmese Embassy - - - - -	2,000
(Punjab) Sum paid to the family of Sirdar Sharif Khan to enable them to proceed to Bagdad - - - - -	500
(North-Western Provinces and Oudh) Marriage expenses of the sister of Diwan Nirbhi Singh, grandson of the ex-Raja of Banpur in Bundelkhand - - - - -	1,000
(Punjab) Maintenance of two Bozdar hostages to be located at Dera Ghazi Khan - - - - -	54
(Bombay) Further expenditure incurred on account of carriage of tents purchased for the Agent, Governor-General, at Baroda - - - - -	358
(India) Cost of the special train from Ruk to Sibi in November 1882 on the occasion of Major Sir R. Sandeman, Agent, Governor General, Biluchistan, proceeding to meet His Excellency the Commander-in-Chief at the latter place - - - - -	425
(India) Entertainment of certain extra establishment in the Office of the Agent, Governor General, in Biluchistan - - - - -	630
(India) Rent of an office room used by Mirza Hassan Ali Khan at Quetta at 5 rupees a month, with effect from 1st June 1882 - - - - -	45
(India) Additional contingent expenditure of the Nepal Residency during 1882-83 - - - - -	550
(Punjab) Grant to Besud Sirdar Abdul Khalik Khan in recognition of his Services during the late war - - - - -	10,000
(India) Entertainment of an additional Munshi on the establishment of the British Agent at Kabul on a pay of 80 rupees a month from 5th February to 31st March 1883 - - - - -	69
(India) Retention until a vacancy occurs of the services of Captain Wyllie as a supernumerary 3rd Class Political Agent from 26th October 1882, the date on which he completed the winding up of the affairs of the late ex-Gaekwar of Baroda - - - - -	4,194
Total Net Increase - - - - - <i>Rs.</i>	2,43,523

II.—IMPERIAL (TEMPORARY)—continued.

44. 27. *Territorial and Political Pensions.*—The increase of 96,958 rupees is made up of the following items:—

(Bengal) Re-purchase of certain jewels sold by the ex-Nawab Nazim; the purchasers will receive the prices paid by them for the jewels	Rs. * 96,358
(Punjab) Continuance of the allowance of 50 rupees a month to Mirza Sultan Hassan, late Superintendent of Settlements in Kurram	600
Total Increase	Rs. 96,958

45. 29. *Superannuation Allowances and Pensions.*—The sanctions under this head, which were not covered by ordinary rules, amounted to 39,170 rupees.

46. 30. *Stationery and Printing.*—The increase of 13,350 rupees is made up of the following items:—

(India) Cost of new presses required for the Government Central Press, Calcutta	Rs. 12,000
(India) Portion of the rent of the house, 1, Fancy-lane, taken from 1st October 1882 for the accommodation of the Press establishment of the Private Secretary to His Excellency the Viceroy	1,350
Total Increase	Rs. 13,350

47. 31. *Miscellaneous.*—The increase of 68,053 rupees is made of the following items:—

(India) Reward to Mr. Sequeira, a clerk in the office of the Political Agent, Turkish Arabia, for special services rendered by him on the occasion of the wreck of the s.s. "City of London"	Rs. 200
(India) Pay and travelling allowance as Commissioner of the Presidency Division, Bengal, in addition to a deputation allowance of 10 rupees a day, granted to Mr. F. B. Peacock, President of the Railway Police Commission	38,133
(India) Cost of passage from Madras to Calcutta and back of the servant of the Rev. Father Jean, D.D., a member of the Education Commission	120
(India) Entertainment of a clerk on 50 rupees a month from 1st January 1883, 7 chaprassis on 7 rupees a month each from 9th idem, and 1 chaprassi on 7 rupees a month from 4th December 1882, for the Committee of the Education Commission	205
(India) Certain charges incurred on account of the office-keeper and chaprassi who accompanied the President of the Education Commission on tour	282
(India) Cost of the clerical assistance needed by the Statistical Committee appointed by the Education Commission	150
(India) Expenditure on account of furniture required for the Office of the Education Commission, one-third of the cost being debited to the Office of the Director General of Statistics	181
(North-Western Provinces and Oudh) Writing off of the amount of claim decreed in the case of Sheo Singh Rai and Nihal Singh <i>versus</i> Government, in which two Government Promissory Notes of the value of 17,000 rupees were embezzled by the Head Clerk of the Meerut Collector's Office	17,000
(Bombay) Charging-off of the expenditure incurred in the rescue and relief of the shipwrecked crew of the Russian steamer "Moscow"	11,782
Total Increase	Rs. 68,053

* The jewels have to be re-purchased from several parties. The charge is likely to be distributed over more than one year.

II.—IMPERIAL (TEMPORARY)—continued.

48. 36 and 37. Railways.—The increase of 4,91,060 rupees is made up of the following items:—

	Rs.
(Punjab) Double horse allowance at 30 rupees a month to Mr. Bruff, Mechanical Draftsman, employed in connection with the erection of machinery in the Sukkur Workshops - - -	330
(India) Cost of luncheons provided for the Members of the Railway Conference which met at Simla - - -	400
(India) Special bonus for the year 1881 to the Punjab Northern State Railway Provident Institution - - -	4,000
(India) Additional chargés on account of land required for the Bengal Central Railway - - -	1,61,000
(India) Horse allowance at 15 rupees a month to the Assistant Surgeon in charge of the Civil Hospital at Peshawar, for affording medical aid to the employés of the Punjab Northern State Railway - - -	30
(Punjab) Allowance of 30 rupees a month to Assistant Surgeon Sada Nand for supervising the conservancy arrangements at the Attock Bridge, with effect from 1st May 1882 - - -	300
(Bengal and North-Western Provinces) Cost of land required for the Patna-Baraich Railway - - -	3,23,000
(Bombay) Appointment of Mr. Gilhooly, on the Southern Mahratta Railway, on a salary of 300 rupees a month - - -	900
(Bengal) Personal allowance of 100 rupees a month to Mr. C. E. Dissent, Assistant to the Consulting Engineer for Guaranteed Railway - - -	1,100
Total Increase - - - Rs.	4,91,060

49. 46. Irrigation and Navigation.—The increase of 502 rupees is due to the reward granted in the Madras Presidency to the members of the anicut establishment employed on the head works at Bezwada for services rendered by them during the heavy flood in the Kistna in July 1882.

50. 48. Civil Buildings, Roads, and Services.—The increase of 18,57,158 rupees is made up of the following items:—

	Rs.
(Punjab) Grant for Secretariat buildings at Simla - - -	5,50,000
(India) Appointment for one year of Ritter C. Von Schwarz to the charge of the Bengal Iron Works - - -	7,650
(Punjab) Grant for "Peterhoff" at Simla - - -	40,000
(India) Purchase of the Bengal Iron Works - - -	*4,47,204
(Punjab) Grant for Press buildings at Simla - - -	17,500
(Bombay) Grant for the restoration of certain bunds in Sindh - - -	25,000
(North-Western Provinces and Oudh) Bonus to Mr. Bull in satisfaction of all claims against Government for the general use of all the improvements in brick-burning patented by him - - -	10,000
(Bengal) Initial expenditure in connection with the manufacture of iron sleepers at the Bengal Iron Works - - -	†58,500
(Bengal) Additional cost of the repairs of the Sulkea Salt Golahs - - -	50,000
(Punjab) Additional expenditure for the completion of clerks' quarters at Simla during 1882-83 - - -	1,00,000
(Bombay) Additional expenditure on account of salt works at Uru - - -	5,50,000
(Central Provinces) Honorarium to Mr. Foster, Mining Engineer, for his special services at the Warora Collieries - - -	500
(India) Temporary employment of Mr. G. Scott, Mining Engineer, on coal exploration in the Kala Chita range on a salary of 850 rupees a month, with the travelling allowance of an Assistant Engineer, for a period not exceeding six months from 10th January 1883 - - -	804
Total Increase - - - Rs.	18,57,158

* The amount was ordered to be debited under "Advances" pending final adjustment, but it has been here shown as expenditure.

† These sums were ordered to be debited under "Advances" pending final adjustment, but have been shown here under "Expenditure."

II.—IMPERIAL (TEMPORARY)—*continued.*

51. 49. *Army.*—The increase of 24,950 rupees is made up of the following items:—

	<i>Rs.</i>
(Bengal) Payment of a lump sum of 5,000 rupees to the Kuki Khel Afridis for the supply of water to the Fort at Jumrood	5,000
(Bombay) Personal allowance of 150 rupees a month to Mr. D'Aguiar, Head Clerk of the Commissary General's Office, Bombay	900
(Bengal) Compensation to the camelmen of the Ulwar State for their camels lost during the Afghan War	12,200
(Bengal) Cost of the abolition of the assamee system in the 1st Bengal Cavalry	2,350
(India) Cost of the house known as "Fuzl Huk's House" in Khairabad, Oudh, presented to Bessaldar-Major Mir Hashim Khan, Sirdar Bahadur, 12th Bengal Cavalry	3,000
(India) Honorarium to Apothecary T. H. Hill for the preparation of a revised edition of the Bengal Medical Regulations for British and Native Troops	1,500
Total Increase - - - <i>Rs.</i>	24,950

52. 50. *Military Operations in Egypt.*—The increase of 1,80,00,000 rupees* was due to the Expeditionary Force which was sent from India to Egypt.

53. 52 to 55. *Productive Public Works.*—The increase of 6,21,800 rupees is made up of the following items:—

	<i>Rs.</i>
(Madras) Expenditure on the Madras Harbour Works to be met by a transfer to Imperial of a similar amount erroneously credited to Provincial	† 5,67,000
(Madras) Temporary appointment of Mr. Wilks, on a salary of 800 rupees a month, as Executive Engineer of one of the three Divisions formed for carrying out productive public works in the Godaveri, Kistna, and Cauvery Deltas	2,400
(Bengal) Expenditure during 1882-83 on brick-making for the Mozufferpore-Hajipore Railway and the bridge over the Gunduck	50,000
Temporary appointment of Mr. J. W. McGowen as a Sub-Engineer, 1st grade, on 400 rupees a month, for a period not exceeding 12 months, for completing the Eastern Extension of the Tirhoot Railway	2,400
Total Increase - - - <i>Rs.</i>	6,21,800

54. *Contributions.*—The increase of 7,15,000 rupees is made up of the following items:—

	<i>Rs.</i>
(Bengal) Additional assignment to the Provincial Funds of Bengal on account of the re-transfer of the ship "Undaunted"	65,000
(Madras) Contribution from Imperial to Provincial	6,50,000
Total Increase - - - <i>Rs.</i>	7,15,000

* This was, however, reduced in the Revised Estimates of the year to 1,21,52,000 rupees (gross) and 1,17,92,000 rupees (net).

† This, though an additional grant under Productive Public Works, is not practically an addition to the year's expenditure. In the Budget Estimate for 1882-83 the Government of Madras took credit erroneously for this sum under Provincial, but this credit was subsequently withdrawn, and a grant made instead for the Madras Harbour Works.

III.—PROVINCIAL (PERMANENT).

55. The permanent increase of Provincial Expenditure took place under the following heads:—

	Rs.
5. Land Revenue - - - - -	24,700
9. Excise - - - - -	—433
11. Customs - - - - -	42
12. Assessed Taxes - - - - -	136
13. Forest - - - - -	84,812
14. Registration - - - - -	3,821
18. General Administration - - - - -	11,993
19. Law and Justice - - - - -	12,588
20. Police - - - - -	42,542
21. Marine - - - - -	400
22. Education - - - - -	3,483
24. Medical - - - - -	1,881
26. Scientific and other Minor Departments - - - - -	24,550
29. Superannuation Allowances and Pensions - - - - -	16,112
30. Stationery and Printing - - - - -	2,356
Total Net Increase - - - - -	Rs. 2,28,983

56. 5. Land Revenue.—The increase of 24,700 rupees is made up of the following items:—

	Rs.
(Bombay) Entertainment of a clerk on 30 rupees and a karkun on 15 rupees a month for the Collector's Huzur Office at Ratnagiri, and four karkuns on 15 rupees a month each, for the office of the Manlatdars of Vingurla, Maloan, Ratnagiri, and Chiplun - - - - -	1,155
(North-Western Provinces and Oudh) Deputation allowance of 200 rupees a month, with the usual travelling allowance, to an experienced Deputy Collector, for inspecting and reporting upon the management of Treasuries in the North-Western Provinces and Oudh for six months in every year, commencing from the 15th October - - - - -	900
(Madras) Revival of the appointment of Director of Revenue Settlements, and an increase of 100 rupees a month to the pay of the Agricultural Reporter, who will be Personal Assistant to the Director † - - - - -	13,645
(Burma) Division of the Theegwin township of the Bassein District into two townships, involving an extra cost of 250 rupees to 300 rupees a month - - - - -	*2,000
(Burma) Division of the Syrian township of Hanthawaddy District into two townships, involving an extra cost of 300 rupees a month - - - - -	*2,400
(Bengal) Local allowance of 100 rupees a month to the Tahsildars of Ungool and the Khondmals, in addition to their pay of 200 rupees a month - - - - -	1,200
(Punjab) Acquisition of the Kasumti tract from the Raja of Keonthal with full jurisdiction, on a quit-rent of 3,400 rupees a year - - - - -	3,400
Total Increase - - - - -	Rs. 24,700

57. 9. Excise.—The saving of 433 rupees in Bengal is due to the abolition of the post of Assistant to the Collector of Calcutta as a separate appointment, by which a saving of 250 rupees a month is effected.

58. 11. Customs.—The increase of 42 rupees is due to the tentage allowance of 15 rupees a month to the Personal Assistant to the Commissioner of Customs, Salt, Opium, and Abkari, in the Bombay Presidency.

59. 12. Assessed Taxes.—The increase of 136 rupees is due to a special allowance of 125 rupees a month, granted to the Deputy Collector of Madras for the performance of work connected with the license tax, with effect from 13th January 1883; also increase to the establishment employed in the collection of license tax in Madras, involving an extra cost of 35 rupees a month, with effect from 7th July 1882.

* These items have been shown under "Land Revenue," but in the accounts and estimates the charge will be distributed under the several heads of service concerned.

† This is shown under "Permanent," but the pay of the appointment will be that of a Collector of 1st Class when Mr. Wilson vacates his place.

III.—PROVINCIAL (PERMANENT)—*continued.*

60. 13. <i>Forest.</i> —The increase of 84,812 rupees is made up of the following items:—	
(Bengal Presidency) Reorganisation of superior staff of the Forest Department, with effect from 3rd September 1882 (moiety of additional cost) - - - - -	Rs. 35,000
(Madras) Reorganisation of the Madras Forest Department (<i>additional cost</i>) - - - - -	44,700
(Bombay) Moiety of expenditure on account of rent of lands occupied by the Lingaumat and Khanapur wood depôts in the Southern Forest Division of Bombay - - - - -	27
(Bombay) Moiety of the rent of certain plots of land required by the Forest Department in Sind - - - - -	85
(Assam) Increases to the Forest establishments and office establishments of Conservators of Forests in Assam from 2,149 rupees to 3,209 rupees a month, involving an annual increase of 12,720 rupees. The excess over the Budget grant for 1882-83 may be assumed at 10,000 rupees, the Chief Commissioner's sanction having taken effect from 1st May 1882 in some cases, and 1st July in others - - - - -	5,000
Total Increase - - - - -	Rs. 84,812
61. 14. <i>Registration.</i> —The increase of 3,821 rupees is made up of the following items:—	
(Bengal) Entertainment of a clerk on 40 rupees, rising to 50 rupees a month, and a peon on 7 rupees a month, for the Office of the Registrar of Joint Stock Companies, Calcutta - - - - -	Rs. 376
(Madras) Moiety of the increased expenditure due to the revision of the salaries of the Registrars and Sub-Registrars in the Madras Presidency - - - - -	3,445
Total Increase - - - - -	Rs. 3,821
62. 18. <i>General Administration.</i> —The increase of 11,993 rupees is a net figure, and is made up of the following items:—	
(Bombay) Revision of the office establishment of the Commissioner in Sind, resulting in a saving of Rs. 224 8. a month - - - - -	Rs. —2,245
(Punjab) Local allowance of 500 rupees a month to the Commissioner of Peshawar - - - - -	6,000
(Bengal) Extension of the system of the audit of local accounts in Bengal, involving an extra cost of 1,234 rupees a month - - - - -	5,453
(Burma) Division of the Hanthawaddy District into two districts, resulting in an increased expenditure amounting to 25,900 rupees a year* - - - - -	2,785
Total Increase - - - - -	Rs. 11,993
63. 19. <i>Law and Justice.</i> —The increase of 12,588 rupees is a net figure, and is made up of the following items:—	
(Bombay) Abolition of the appointment of Assistant Cantonment Magistrate, Poona and Kirkee, and the creation of certain other appointments, resulting in a saving of 200 rupees a month - - - - -	Rs. —1,600
(Bengal) Allowance of 100 rupees a month to the Superintendent of the Hazaribagh Jail for supervising the Reformatory School at that place - - - - -	1,100
(Bombay) Deputation of Mr. H. Woodward, c.s., Assistant Collector, 2nd class, on special duty connected with the Deccan Agriculturists' Relief Act, on an allowance of 10 rupees a day - - - - -	1,800
(Madras) Appointment of a Superintendent for the European Prison and District Jail at Ootacamund on 300 rupees to 400 rupees, the cost of the arrangement being an increase of Rs. 210. 6. 8. a month - - - - -	1,683

* In the estimates and accounts the charge will be distributed under the appropriate service heads.

III.—PROVINCIAL (PERMANENT)—*continued.*

(Bengal) Increase to the pay of the Deputy Superintendent, Presidency Jail, from 300 to 400 rupees to 350 rupees to 500 rupees—(this involves no increase in the present year).	Rs.
(Bombay) Creation of a 2nd grade Senior Assistant Judgeship at Broach on 1,000 rupees a month, with effect from 17th March 1882 - - - - -	11,500
(Bengal) Separation of the appointments of Superintendent of the Presidency Jail and Resident Surgeon of the General Hospital, Calcutta, resulting in a saving of 200 rupees a month - - - - -	-1,300
(Bengal) Increase to pay of the Nagri Munshi of the High Court, on the Original Side, from 40 rupees a month to 60 rupees, rising to 80 rupees a month - - - - -	120
(Bombay) Abolition of the post of Assistant Magistrate, Poona and Kirkee, and the appointment of a Native executive officer at Poona on 300 rupees a month, resulting in a saving of 200 rupees a month - - - - -	-733
(Bombay) Increase to the pay of 4 peons attached to the Office of the Cantonment Magistrate, Aden, from 10 rupees to Rs. 11. 8. a month - - - - -	18
Total Net Increase - - - Rs.	12,588

64. 20. *Police.*—The increase of 42,542 rupees is made up of the following items:—

(Madras) Additional Expenditure incurred in connection with the proposal to increase the Police Force in the Hill Tracts of the Northern Circars - - - - -	Rs. 17,100
(Bengal) Appointment of a District Superintendent of Police at Darjeeling on 500 rupees a month, in the place of an Assistant Superintendent on 400 rupees a month - - - - -	900
(Burma) Revision of the pay of Police Sergeants of the Rangoon Town District Police, involving an extra cost of Rs. 18,507. 8. a year - - - - -	9,254
(Burma) Increase to the strength of the superior grades of the Police Department in Burma, involving an extra cost of 590 rupees a month - - - - -	2,838
(Bombay) Creation of an appointment of 5th grade Superintendent of Police in the Upper Sind Frontier District, at an additional cost of 750 rupees a month, with effect from 19th November 1882 - - - - -	2,550
(Madras) Appointment of a special Assistant Superintendent of Police to the Jeypore District on a salary of 500 rupees a month, with effect from 1st April 1882 - - - - -	5,500
(Punjab) Permanent appointment of an Assistant to the Inspector General of Police, Punjab, on a salary of 500 rupees a month, with an extra allowance of 100 rupees a month, and an Inspector under him on 200 rupees a month (moiety) - - - - -	4,400
Total Increase - - - Rs.	42,542

65. 21. *Marine.*—The increase of 400 rupees is due to the appointment of the Commander of the I.G S. "Enterprise" in Burma to be *ex officio* Inspector of Lighthouses on an allowance of 100 rupees a month.

66. 22. *Education.*—The increase of 3,483 rupees is a net figure, and is made up of the following items:—

(Burma) Retention of Dr. Forchhammer's services permanently as Pali Professor in the Rangoon High School - - - - -	Rs. 3,600
(Madras) Reduction in the pay of the Manager of the Office of the Commissioner for the Uncovenanted Civil Service Examinations from 300 rupees a month to 200 rupees, rising to 250 rupees a month - - - - -	-117
Total Net Increase - - - Rs.	3,483

III.—PROVINCIAL (PERMANENT)—*continued.*

67. 24. *Medical.*—The increase of 1,881 rupees is made up of the following items:—

(Burma) Appointment of an officer as Chief of the Civil Medical Department in British Burma, in order to relieve the Deputy Surgeon General of that province of his civil medical duties -	Rs.
(Madras) Reorganisation of the Establishments of the Chemical Examiner and Professor of Chemistry, Madras, resulting in an increased expenditure of 105 rupees a month - - -	1,650
	231
Total Increase - - - Rs.	1,881

68. 26. *Scientific and other Minor Departments.*—The increase of 24,550 rupees is made up of the following items:—

(Assam) Appointment of a Director of Agriculture for Assam on a salary of 1,000 rupees and fixed travelling allowance of 250 rupees a month, with effect from 1st April 1882 - - -	Rs.
(North-Western Provinces and Oudh) Appointment of Major G. D. Pitcher as Assistant Director of the Agricultural Department, Oudh, on a salary of 1,200 rupees, rising to 1,500 rupees a month - - - - -	13,750
	10,800
Total Increase - - - Rs.	24,550

69. 29. *Superannuation Allowances and Pensions.*—The sanctions under this head not covered by ordinary rules amounted to 16,112 rupees during the year.

70. 30. *Stationery and Printing.*—The increase of 2,356 rupees is made up of the following items:—

(Central Provinces) Increase of 50 rupees a month to the pay of the Superintendent of the Chief Commissioner's Press - - -	Rs.
(Bengal) Allowance of 50 rupees a month to Mr. Longhurst, Assistant Superintendent of Stationery, Calcutta, for visiting the Jail Press on official business, with effect from 3rd January 1882 - - - - -	550
(Madras) Revision of the Government Press Establishment, Madras, involving a net increase of 603 rupees a month - - -	600
	1,206
Total Increase - - - Rs.	2,356

IV.—PROVINCIAL (TEMPORARY).

71. The temporary increase of Provincial Expenditure took place under the following heads:—

4. Assignments and Compensations - - - - -	Rs.
5. Land Revenue - - - - -	79,797
7. Salt - - - - -	1,05,470
8. Stamps - - - - -	600
11. Customs - - - - -	100
12. Assessed Taxes - - - - -	—759
13. Forest - - - - -	1,130
18. General Administration - - - - -	2,03,454
19. Law and Justice - - - - -	27,997
20. Police - - - - -	2,28,704
21. Marine - - - - -	11,475
22. Education - - - - -	23,875
24. Medical - - - - -	3,593
26. Scientific and other Minor Departments - - - - -	6,582
29. Superannuation Allowances and Pensions - - - - -	30,651
31. Miscellaneous - - - - -	17,940
42 } to } Railways - - - - -	4,914
45 }	14,50,900
46. Irrigation and Navigation - - - - -	1,300
48. Civil Buildings, Roads, and Services - - - - -	1,11,791
Contributions - - - - -	6,00,000
Total Net Increase - - - Rs.	29,09,514

IV.—PROVINCIAL (TEMPORARY)—*continued.*

72. 4. *Assignments and Compensations.*—The increase of 79,797 rupees is due to the payment made to Shaik Ajmodin Waikar Sarinjandar on account of Mokasa amal due to him from 142 villages of the Erandol pargana of the Khandesh Collectorate.

73. 5. *Land Revenue.*—The increase of 1,05,470 rupees was made up of the following items:—

	<i>Rs.</i>
(Burma) Moiety of the cost of the appointment of Mr. P. E. Isaacson, Collector of Customs, Akyab, as a Supernumerary Extra Assistant Commissioner, on 400 rupees a month - - -	1,200
(Bombay) Continued employment of Rao Bahadur Narayan Ballal Joglekar, Dufturdar in the Ratnagiri Collector's Office, on the Khoti settlement work, for a further period of one year - -	4,565
(Assam) Grant for expenditure on the survey and settlement of Cachar - - - - -	45,572
(North Western Provinces and Oudh) Appointment of Mr. H. F. Evans, C.S., as a Special Judge within the area of the Jhansi District, under section 3, Act XIV of 1882, for two years, with effect from 15th July 1882 - - - - -	11,250
(Madras) Personal allowance of 250 rupees a month to Colonel H. T. Rogers, B.E., Superintendent of the Revenue Survey Department, Madras, with effect from 1st April 1882 - - -	2,750
(Bombay) Travelling and tentage allowances to Khan Bahadur Kamruddin, Mamlatdar of Ratnagiri, so long as he is employed on Khoti settlement duty - - - - -	540
(Assam) Further expenditure for the demarcation of the Southern boundary line between "A" villages in the Garo Hills District and the Khas Garo Hills villages - - - - -	189
(Madras) Grant for the preparation of a survey map of the Tanjore district - - - - -	34,000
(Punjab) Charges incurred by Mr. Goode, Treasury Clerk at Simla, in consequence of his being deputed to perform the duties of the Treasury Clerk at Kasauli in July 1882 - - - - -	61
(North Western Provinces and Oudh) Retention of Colonel Anderson as a supernumerary Deputy Superintendent of Survey, in charge of the Mirzapore Survey Party, at a cost of 800 rupees a month, being the difference between his present pay and that of the unattached pay of the Military Department, for one year, with effect from 1st November 1882 - - - - -	3,200
(Bombay) Personal allowance of 200 rupees a month each to Messrs. Drew, Cappel, and Johnstone, of the Punjab Commission, transferred to Bombay, with effect from 9th May 1882 (<i>moiety</i>) - - - - -	2,143
Total Increase - - - <i>Rs.</i>	1,05,470

74. 7. *Salt.*—The increase of 600 rupees is due to the grant of a special allowance of 50 rupees a month to Mr. Crandfield, Superintendent of Abkari at Aden, for performing the duties of Superintendent of the Salt Department at Shaik Othman, with effect from 1st March 1882.

75. 8. *Stamps.*—The increase of 100 rupees is a moiety of the charge on account of two hand-presses purchased for the Collector of Stamps, Calcutta.

76. 11. *Customs.*—The saving of 759 rupees is due to the revision of the Office of the Commissioner of Customs, Salt, Opium, and Abkari, Bombay, including an increase to the pay of the Head Accountant, resulting in a saving of 759 rupees a year. But this saving will be reduced to 159 rupees from 1st April 1883, the date from which the personal allowance of 50 rupees a month recommended for the Assistant Collector in charge of the head-quarter office will have effect.

IV.—PROVINCIAL (TEMPORARY)—*continued.*

77. 12. *Assessed Taxes.*—The increase of 1,130 rupees is a net figure, and is made up of the following items:—

	<i>Rs.</i>
(Madras) Special allowance of 125 rupees a month to the Deputy Collector of Madras for the performance of work connected with the license tax, with effect from 13th January 1883; and also to an increase of the establishment employed in the collection of license tax in Madras, involving an extra cost of 35 rupees a month - - - - -	101
(Bengal) Grant of 250 rupees a month to the Collector of Calcutta for extra work imposed upon him in connection with the license tax - - - - -	1,375
(Bengal) Abolition of the post of Assistant to the Collector of Calcutta, who is also Head Assessor of license tax, resulting in a saving of 200 rupees a month - - - - -	-346
Net Increase - - - <i>Rs.</i>	1,130

78. 13. *Forest.*—The increase of 2,03,454 rupees is made up of the following items:—

	<i>Rs.</i>
(Assam) Special local allowance of 100 rupees to the District Forest Officer stationed in the Garo Hills - - - - -	450
(Madras) <i>Reorganisation of the Forest Department</i> — Deputation of two officers of the Indian staff, and expenditure on account of two Covenanted Civilians and their establishments, to be retained for five years - - - - -	15,300
(Punjab) Moiety of the special allowance of 200 rupees a month to the Forest Officer, Bushire - - - - -	1,100
(Madras) Employment of Mr. D. E. Hutchins, Assistant Conservator of Forests in Mysore, for four months on special duty in connection with the Nilgiri plantations - - - - -	2,800
(Punjab) Consolidated monthly travelling allowance of 12 rupees to the Forest Ranger in charge of the range inside the fence of the Changa Manga plantations in the Lahore division - - -	42
(Burma) Increase of grant for Forest expenditure in Burma during 1882-83, in accordance with the Revised Estimate - - -	*1,08,500
(Bombay) Moiety of travelling allowance of 50 rupees a month to Mr. R. E. Kanga, Mamlatdar of Sinnar, while employed on special Forest duty in the Nasik Collectorate - - - - -	112
(North Western Provinces and Oudh) Addition to the Forest Budget grant for 1882-83, on account of the supply of sleepers to the Patna-Baraitch State Railway - - - - -	*75,000
(Bombay) Deputation allowance of five rupees a day to Mr. Betham, of the Forest Department, Bombay - - - - -	75
(Punjab) Moiety of the rental paid to the Raja of Mandi for the right of collecting waif timber on that part of the Beas river which flows through his territory - - - - -	75
Total Increase - - - <i>Rs.</i>	2,03,454

79. 18. *General Administration.*—The increase of 27,997 rupees is a net figure, and is made up of the following items:—

	<i>Rs.</i>
(Central Provinces) Revival of the appointment of additional Commissioner, on a salary of 2,200 rupees a month, for a period of nine months - - - - -	6,032
(Bombay) Appointment of Mr. W. R. Hamilton, Huzur Deputy Collector at Ahmednagar, for three months, to compile and edit the General Administration Report of the Bombay Presidency, with a deputation allowance of 200 rupees a month - - - - -	1,500
(Bengal) Abolition of the appointment of an Assistant in the Office of the Board of Revenue, on a pay of 200-300 rupees a month, in charge of correspondence connected with the working of License Tax Act, with effect from 1st June 1882 - - - - -	-1,500

* These increases were sanctioned on the understanding that the receipts arising from the sleeper operations would exceed the expenditure.

IV.—PROVINCIAL (TEMPORARY)—*continued.*

	<i>Rs.</i>
(Bengal) Increased expenditure consequent on Babu Koylas Chunder Mookerjee, Head Assistant in the Judicial Department, Bengal Secretariat, whose pay was 400 rupees, rising to 600 rupees, being allowed to begin on 500 rupees - - -	477
(North-Western Provinces and Oudh) Increase to the pay of the Junior Secretary to the Government of the North-Western Provinces and Oudh from 1,200 rupees to 1,500 rupees a month, for one year only - - -	3,600
(Madras) Payment to Messrs. Daniell and Sons, London, for china and glass supplied for use in the Government House, Madras, the amount being recovered in four equal annual instalments from the contract allowance of His Excellency the Governor - - -	17,888
Total Net Increase - - - <i>Rs.</i>	27,997

80. 19. *Law and Justice.*—The increase of 2,28,704 rupees is made up of the following items:—

	<i>Rs.</i>
(North-Western Provinces and Oudh) Appointment of an additional Subordinate Judge to the Agra District for six months	3,000
(Punjab) Retention of an additional Judge in the Chief Court of the Punjab until 15th August 1882 - - -	15,750
(Bombay) Continuance of the appointment of special Judge under the Deccan Agriculturists' Relief Act for another year - -	22,284
(Bombay) Deputation allowance of 10 rupees a day to Mr. Hosking, C.S., Senior Assistant Judge of Kaladgi, for the period of his absence from head-quarters on special duty, for conducting the prosecutions of Madhabrao Krishna Huligolkar, Subordinate Judge of Bijapur, and Ramacharaya bin Wasudevacharya, in connection with a case of bribery -	250
(Bengal) Retention of the extra establishment for the two additional Judges of the High Court, Calcutta, for another month - - -	107
(Madras) Appointment, as a temporary arrangement for six months, of an extra Subordinate Judge for the Malabar Division, on 500 rupees a month - - -	3,000
(North-Western Provinces and Oudh) Appointment of an additional Munsif of the 3rd grade on 200 rupees a month for six months, to work off the arrears at Ballia in the Ghazipur District - - -	1,200
(North-Western Provinces and Oudh) Retention of the Munsif's Court at Mariahu in the Jaunpur District, subject to report after the expiration of another year - - -	1,258
(Bombay) Horse allowance of 20 rupees a month to the Superintendent of the Nara Jail, with effect from November 1881 -	240
(Punjab) Appointment of two additional Judges to the Chief Court of the Punjab, for a period of one year from 2nd November 1882, on a salary of 3,500 rupees a month each - - -	27,767
(North-Western Provinces and Oudh) Employment on special duty for such time as may be necessary of Mr. S. H. James, C.S., Registrar of the High Court of Judicature, North-Western Provinces, in connection with the preliminary drafting of Bills to facilitate the extension of Local Self-Government - -	3,200
(Bombay) Deputation on special duty at Thana for a further period of six months, of Khan Bahadur M. N. Nanavati, a 1st class Subordinate Judge, to clear off the arrears of civil appeals in that district - - -	955
(Burma) Moiety of the cost of the appointment of Mr. P. E. Isaacson, Collector of Customs, Akyab, as a supernumerary Extra Assistant Commissioner on 400 rupees a month - -	1,200
(Bombay) Deputation allowance of 10 rupees a day to Mr. H. Woodward, C.S., Assistant Collector, 2nd Class, deputed for six months on special duty connected with the Deccan Agriculturists' Relief Act - - -	1,800

IV.—PROVINCIAL (TEMPORARY)—*continued.*

	<i>Rs.</i>
(Central Provinces) Appointment of Lieutenant-Colonel H. C. E. Ward, Deputy Commissioner, Raipur, as Additional Commissioner in the Chhatisgarh Division for the affairs of Kalahandi, with an allowance of Rs. 366. 10. 8. in addition to his pay and a consolidated travelling allowance of 250 rupees a month	22,050
(Bombay) Personal allowances to Messrs. Drew, Cappel, and Johnstone, of the Punjab Commission, transferred to Bombay, of 200 rupees each, with effect from 9th May 1882 (moiety)	2,143
(Madras) Appointment of a fifth Judge to the Madras High Court for a period of six months, with a view to clear off the arrears which have accumulated in that Court	22,500
(Central Provinces) Increase to the Provincial Budget grant for "Jails" under the head "Law and Justice" for 1882-83	1,00,000
Total Increase - - - <i>Rs.</i>	2,28,704

81. 20. *Police.*—The increase of 11,475 rupees is made up of the following items:—

	<i>Rs.</i>
(Bombay) Temporary appointment at Jacobabad of an Assistant Superintendent of Police on his present pay of 400 rupees a month, with a Sind allowance of 100 rupees a month and the ordinary travelling allowance of a Superintendent of Police	4,180
(Burma) Employment on special duty for three months of Mr. R. C. Stevenson, a District Superintendent of Police in Burma, with a view to the compilation and translation of a Police Manual in the Burmese language, and the grant to him of an honorarium of 500 rupees on the completion of the work	500
(Assam) Special local allowance of 100 rupees a month to Mr. W. C. Fasson, Officiating Superintendent of Police, Naga Hills, for May 1882	1,000
(Bombay) Appointment of an Assistant Superintendent of Police, 2nd grade, for six months, in order to provide an Assistant to the Superintendent of Police, Kaladgi, for the special purpose of supervising the police arrangements in connection with the Railway Works now in progress between Hotgi and Gadak	3,300
(Burma) Entertainment of a supernumerary Assistant Superintendent of Police, 1st class, on 400 rupees a month, in place of an Assistant Superintendent of Police, 2nd class, on 250 rupees a month, until 1st April 1883	375
(Burma) Appointment for one year of a special Superintendent of Police on a deputation allowance of 250 rupees a month, in addition to the pay of his rank, for the suppression of dacoity in the town of Rangoon and in the Pegu Subdivision of the Hanthawaddy District	500
(Central Provinces) Grant of a month's pay to the subordinate Police Force of the Ganjam and Vizagapatam Districts employed in suppressing the Kalahandi disturbances	1,620
Total Increase - - - <i>Rs.</i>	11,475

82. 21. *Marine.*—The increase of 23,875 rupees is made up of the following items:—

	<i>Rs.</i>
(Burma) Contribution of 500 rupees a month towards the combined pay of the appointment of Port Officer and Deputy Port Officer, Rangoon, from 1st January 1882	6,000
(Bombay) Government share of the compensation to the fishermen whose stakes have been removed from the entrance of the Bombay Harbour	17,000
(Madras) Honorarium to Mr. Baker for boring operations at Paumben channel, being equal to 2½ months' pay	875
Total Increase - - - <i>Rs.</i>	23,875

83. 22. *Education.*—

IV.—PROVINCIAL (TEMPORARY)—*continued.*

83. 22. *Education.*—The increase of 3,593 rupees is made up of the following items:—

	<i>Rs.</i>
(Bombay) Increase of 50 rupees a month to the salary of Khan Bahadur Dastur Hoshang Jamsap, Assistant Professor of Oriental Languages in the Deccan College - - - -	550
(Central Provinces) Allowance of 100 rupees a month to Mr. W. Young, President of the High School, Jubbulpore, in addition to his salary - - - - -	1,100
(Punjab) Personal allowance of 100 rupees a month to Mr. J. L. Kipling, Principal of the Lahore School of Art and Curator of the Central Museum, with effect from 6th July 1882 -	800
(Bombay) Increase to 200 rupees a month of the local allowance of 100 rupees granted to Rao Saheb Mahipatram Rupram, Principal of the Training College for Vernacular Masters at Ahmedabad - - - - -	393
Honorarium to Dr. Hunter for the right of translation of his "History of the People of India" - - - - -	750
Total Increase - - - <i>Rs.</i>	3,593

84. 24. *Medical.*—The increase of 6,582 rupees is made up of the following items:—

	<i>Rs.</i>
(Bengal) Extra salary of 300 rupees a month to Surgeon Barclay, of the Medical College, for delivering lectures in Pathology as well as those on Physiology during current session - -	1,800
(Bombay) Allowance of 100 rupees a month to the Assistant Surgeon appointed to the post of Travelling Water Analyst in Bombay - - - - -	1,100
(Madras) Continuance of the post of special Sanitary Officer, Ootacamund, for another year - - - - -	1,266
(Bombay) Deputation allowance of 5 rupees a day for the commissioned Medical Officer, and 1 rupee a day for the Hospital Assistant, deputed to investigate the causes and nature of the fever which recently prevailed in the Ratnagiri District -	197
(Bombay) Extra allowance of 150 rupees a month to the Civil Surgeons of Poona and Ahmedabad for conducting the duties of Superintendent of the Medical School at each of those places - - - - -	1,355
(Assam) Continuance to the Medical Officer in charge of the Garo Hills District of the special local allowance of 100 rupees a month - - - - -	694
(Punjab) Increase, until such time as the railway bridge at Attock is completed, of 50 rupees a month to the allowance (100 rupees) drawn by the Garrison Surgeon of Attock for being in medical charge of the subordinates and workmen employed on those works - - - - -	170
Total Increase - - - <i>Rs.</i>	6,582

85. 26 *Scientific and other Minor Departments.*—The increase of 30,651 rupees is made up of the following items:—

	<i>Rs.</i>
(North-Western Provinces and Oudh) Appointment of Major D. G. Pitcher to inquire into the present system of recruiting labourers for the colonies in the districts of the North-Western Provinces and Oudh - - - - -	3,000
(North-Western Provinces and Oudh) Continuance of the deputation allowance to the Deputy Superintendent of Census, North-Western Provinces and Oudh, up to the end of April 1882, and the employment of that officer on special duty for a further period of four months for the purpose of working out certain details of the census - - - - -	5,200

IV.—PROVINCIAL (TEMPORARY)—*continued.*

	<i>Rs.</i>
(Bombay) Honorarium to Mr. Lamb, Inspecting Veterinary Surgeon and Superintendent of Horse Breeding, Bombay, for a course of lectures on veterinary science delivered to the students in the Agricultural Class attached to the Civil Engineering College at Poona during 1881-82 - - -	660
(India) Expenditure on the compilation of the "North-Western Provinces Provincial Gazetteer" - - -	4,138
(Bengal) Employment of Dr. G. Watt, Principal of the Krishnagar College, on special duty from 18th June 1882 to 31st January 1883, for the purpose of classifying and arranging the specimens of plants collected by him in Manipur - - -	7,500
(Punjab) Payment to the Dyce Sombre family on account of the Jaras Garden in Delhi taken by Government - - -	4,930
(Bombay) Charge allowance of 200 rupees a month to Mr. G. W. Forrest, Professor of Mathematics in the Deccan College, during the period he was in charge of the Office of the Deputy Superintendent of Census, Bombay - - -	600
(Bombay) Local allowance of 150 rupees a month to Mr. K. N. Servai, Assistant to the Collector of Bombay, for performing the duties of the Inspector of Factories for that city, in addition to his own duties - - -	900
(Bombay) Appointment of a Protector of Pilgrims, Bombay, on 100 rupees a month, experimentally for one year, and of two peons under him on 9 rupees and 10 rupees respectively - - -	595
(North-Western Provinces and Oudh) Personal allowance of 100 rupees a month to Mr. J. B. Fuller, Assistant Director of Agriculture and Commerce in the North-Western Provinces - - -	600
(North-Western Provinces and Oudh) Local allowance of 25 rupees a month to Mr. Phillips, Superintendent of the Public Gardens, Allahabad - - -	300
(Assam) Census charges during 1882-83 - - -	1,728
(Bengal) Deputation allowance of 250 rupees a month to Mr. G. A. Grierson, c.s., Officiating Joint Magistrate and Deputy Collector, during the period of his employment on special duty in making inquiries into the present system of recruiting labourers under Act VII of 1871 in the districts of Behar and Chota Nagpore - - -	500
Total Increase - - - <i>Rs.</i>	30,651

86. 29. *Superannuation Allowances and Pensions.*—The sanctions under this head not covered by ordinary rules amounted to 17,940 rupees during the year.

87. 31. *Miscellaneous.*—The increase of 4,914 rupees is made up of the following items:—

	<i>Rs.</i>
(Punjab) Compensation to Ata Muhammad Khan, an Inspector of Police, for losses sustained by him - - -	1,000
(Bengal) Command allowance of 200 rupees a month to Lieutenant Colonel H. H. Stansfeld, Commandant of the Darjeeling and Northern Bengal State Railway Volunteer Corps, from the 24th November 1881 to 10th July 1882* - - -	664
(Punjab) Honorarium to Captain J. B. Hutchinson, an Assistant Commissioner in the Punjab, in recognition of the labour which he has bestowed on the preparation, during his leisure time, of an Index to the Regulations, Acts, Rules, Notifications, and Orders in force in the Punjab - - -	1,000
(Bengal) Consolidated allowance of 250 rupees a month to each of the three members of the Committee appointed to inquire into and report upon the entire system of village watch in the Lower Provinces of Bengal - - -	2,250
Total Increase - - - <i>Rs.</i>	4,914

Bengal

* This is a military charge, but it has been specially ordered to be debited to Bengal Provincial revenue for the period for which the allowance has been allowed.

IV.—PROVINCIAL (TEMPORARY)—continued.

88. 42 to 45. *Railways*.—The increase of 14,50,900 rupees is made up of the following items:—

	Rs.
(Bengal) Allowance of 100 rupees a month to the Executive Engineer in charge of the Engineering Department of the Northern Bengal State Railway, who has been appointed a Superintendent of Works	900
(North-Western Provinces and Oudh) Additional allotment for the construction of the Cawnpore-Farakhabad Extension Railway and the Railway Workshops at Fatehgarh	14,50,000
Total Increase - - - Rs.	14,50,900

89. 46. *Irrigation and Navigation*.—The increase of 1,300 rupees is made up of the following items:—

	Rs.
(Burma) Grant of a deputation allowance to Mr. Clarke, Executive Engineer, Rangoon Municipality, for inspecting the Min-ywa flood escape	100
(Punjab) Local allowance of 100 rupees a month to the Executive Engineer temporarily appointed as Superintendent of Works in the 4th Circle of Superintendence for Irrigation Works	1,200
Total Increase - - - Rs.	1,300

90. 48. *Civil Buildings, Roads, and Services*.—The increase of 1,11,791 rupees is made up of the following items:—

	Rs.
(Bengal) Appointment of Mr. W. Scotland as a temporary Assistant Engineer, 1st grade, on a salary of 450 rupees a month, to supervise works under construction at Daltongunge in Chota Nagpur	5,400
(Assam) Cost of stores supplied to the Maharaja of Manipur to enable him to repair the road between Manipur and Cachar	1,000
(North-Western Provinces and Oudh) Grant to the Agra Municipality for sinking an artesian well in that city with the object of providing a supply of sweet water	60,000
(Burma) Additional allowance of 100 rupees a month to the Executive Engineer appointed as Superintendent of Works in British Burma	1,200
(Assam) Appointment of Mr. Chitty as a temporary Assistant Engineer on a salary of 300 rupees a month to superintend the construction of a screw-pile bridge over the river "Noa Nadi"	1,858
(Madras) Appointment of a 2nd Grade Accountant on 250 rupees, rising to 340 rupees, a month to be attached to the Madras Public Works Secretariat. As a set-off against this charge, a clerkship of 70 rupees a month is to be abolished	1,533
(Bengal) Cost of providing barracks for the use of the Behar Mounted Rifles	16,000
(Madras) Bonuses to Messrs. Anthony and Gaynor, Accountants in the office of the Examiner of Public Works Accounts; in consideration of the extra labour undergone by them in preparing a revised edition of the Madras Public Works Code	700

IV.—PROVINCIAL (TEMPORARY)—*continued.*

	<i>Rs.</i>
(Bengal) Retention for another year of the services of Mr. E. J. Martin, Superintending Engineer, Class II., as Government Architect - - - - -	16,200
(Burma) Expenditure of 6,000 rupees required for building a house for the accommodation of the office of the newly formed Theegwin township of the Bassein District - - - - -	6,000
(Bengal) Local allowance of 100 rupees a month to Executive Engineer appointed as Superintendent of Works for all public works in Calcutta and its suburbs - - - - -	1,000
(North-Western Provinces and Oudh) Appointment of an Executive Engineer as Superintendent of Works on a local allowance of 100 rupees a month - - - - -	900
Total Increase - - - <i>Rs.</i>	1,11,791

91. *Contributions.*—The increase of 6,00,000 rupees is due to the contribution made to the Bengal Local Funds for feeder-roads.

ORDERED, that a copy be forwarded to the Several Departments of the Government of India for information.

R. Logan,
Under-Secretary to the Government of India.

— No. 5. —

The Governor General in Council to the Secretary of State for India,
24th August 1883, No. 233 (Financial).

My Lord,

WE have the honour to reply to your Lordship's Despatch, No. 183 (Financial), of 28th June 1883.

2. It is with satisfaction that we learn (paragraph 3) that your Lordship does not imply that the Government of India "has not exercised careful supervision over the many demands for additional outlay which come before it," and that your Lordship recognises "the large and satisfactory growth of the revenue."

3. In the 4th paragraph of the Despatch under reply the following observations occur:—

"Notwithstanding these circumstances, and the generally favourable present condition of the finances, it still remains an important duty to watch with care every growth of the expenditure, to guard against every tendency to incur charges which are not essential, and to avoid the risks of undue expansion of outlay on objects of apparent utility which not uncommonly attend a position of supposed freedom from financial anxiety."

4. We fully agree in thinking that, whether the actual condition of the finances be "generally favourable" or the reverse, "it still remains an important duty to watch with care every growth of the expenditure," &c. We are not aware that during the last three years there has been any remissness in the manner in which that important duty has been performed.

5. As regards "the supposed freedom from financial anxiety," we have a few observations to make. We certainly should not have described the position of the last three years as one of freedom from financial anxiety. We hardly think that any official utterance emanating from the Government of India can be quoted which would warrant the implication that we were inclined to take an unduly optimistic view of the financial situation. On the contrary, numerous passages might be quoted to show that the special causes of anxiety, which must
always

always attend the administration of the Indian finances, have been always present to our minds. If we have not more frequently dwelt upon those particular causes of anxiety, it is because it is useless to be constantly repeating facts which are notorious, unless we have some practical measures to propose which might remove or mitigate the anxiety we have always felt in connection with them.

6. There are no less than five special circumstances which must always cause grave anxiety to those who have to administer the finances of India. These are (1) the fluctuating and precarious nature of the opium revenue; (2) the instability of the standard of value, coupled with the fact that a large annual payment has to be made in gold; (3) war; (4) famine; (5) the uncertainty of the home charges, over which the Government of India has no control whatsoever.

7. In respect to four out of these five evils we have certainly not been free from anxiety during the last three years. The opium revenue has shown a steady tendency to diminish, and a further large diminution is to be anticipated in 1884-85. There have been very considerable fluctuations in the value of the rupee. No sooner were we free from the pressure of the Afghan War, than we had to pay about 800,000 *l.* for a war in Egypt, for which we were in no way responsible. We have fortunately not as yet been visited with famine, although the deficient rainfall of the current year gives cause for considerable anxiety. The main cause for anxiety we have had in this respect up to the present time is that, in spite of much discussion and correspondence, the measures taken to improve our communications, and thus to mitigate the effects of future famines, have been, in our opinion, inadequate. The uncertainty of the amount of the home charges has recently received a remarkable illustration in the large demands which have been made on us to pay off the arrears of the non-effective military charges, and in the declaration made in your Lordship's telegram of 14th April 1883, as regards those charges in future years, that "the data were so uncertain that a good margin should be allowed" to the calculations of the actuaries. The position of the Government of India in respect to these charges was accurately described in the Despatch from Lord Lytton's Government, No. 66 of 8th February 1878 (paragraphs 12 and 13). Further, in respect to the growth of military charges over which the Government of India has no control whatsoever, we beg to refer to our Military Despatch, No. 401, of 29th October 1881 (paragraphs 44-47).

8. We do not think, therefore, that the position of the last three years can be accurately described as one of "freedom from financial anxiety."

9. We append to this Despatch a Minute by our honourable colleague, Sir Evelyn Baring, in which the comparisons instituted by your Lordship between the expenditure of the four triennial periods from 1871-72 to 1882-83 *inter se*, and with the estimated expenditure of 1883-84, are examined in detail. In this Despatch we propose to deal only with the most salient features of those comparisons. For further details we beg to refer your Lordship to our honourable colleague's Minute.

10. In the first place we wish to observe that any comparison between the estimates of the two years 1882-83 and 1883-84 and the accounts of former years must of necessity be faulty. The Indian estimates are very cautiously compiled. It almost invariably happens, when the accounts are finally made up, that the revenue turns out to be considerably more and the expenditure considerably less than the estimates. This remark applies, of course, especially to the Budget Estimate, but it is also true, although in a less degree, as regards the Revised Estimate. We now know that the surplus of 1882-83, which was taken in the Revised Estimate at 60,000 *l.*, will be considerably in excess of this sum. It is, however, impossible to state the precise amount of the surplus until the provincial and local adjustments have been made. Unless there should be a war or famine, it is certain that the surplus of 1883-84 will be largely in excess of the estimate of 457,000 *l.* We do not propose to discuss at length the advantages and disadvantages of this system of extreme caution in framing the estimates. We merely draw attention to the fact that, inasmuch as in the Despatch under reply estimates are compared with actuals, the apparent results are a good deal more unfavourable to the years 1882-83 and 1883-84, especially

the latter, than the reality, when it is finally known, will under normal circumstances warrant.

11. In paragraph 5 your Lordship states the average gross expenditure (Imperial, Provincial, and Local) of the triennial periods from 1871-72 to 1882-83, as well as the estimated expenditure of 1883-84. Certain items are then deducted from the total expenditure as "representing expenditure of an abnormal character, or such as is for the most part beyond the control of the Government." Amongst these items are *War Charges*. As regards this deduction, we have the following observation to make:—

12. The heavy charge on account of ordinary military expenditure in 1881-82 (16,054,000 *l.*) is certainly due to the fact, to which allusion was made in paragraph 85 of the Financial Statement for 1882-83, that it had "been found impossible to distinguish accurately between Ordinary and War expenditure * * * The division into Ordinary and War expenditure does not pretend to any great accuracy." It is very probable that some expenditure on account of the Afghan War was included in the ordinary account of the years 1878-79 (16,118,000 *l.*), 1879-80 (15,867,000 *l.*), and 1880-81 (15,794,000 *l.*). We cannot, however, state the amounts so included in these years with any degree of accuracy. As regards 1881-82, however, the Comptroller General has estimated* that war expenditure to the extent of 660,000 *l.* was included in the ordinary account. This amount, at least, should, therefore, be deducted from the average expenditure of the triennial period from 1880-81 to 1882-83 (both inclusive). The average expenditure of this period would then be reduced from 42,670,000 *l.* to 42,010,000 *l.*

13. As regards the examination of the several groups of expenditure in detail, we wish to point out that the method of comparison which has been adopted in the Despatch under reply is simply to take up one head after another and to show what the increase has been. There is no attempt to trace whether any direct or indirect growth of revenue may have been due to the increase of expenditure, and there is no complete analysis of the causes which have led to an increase of expenditure such as is indispensable in any attempt to set forth the real financial progress of the country in recent years. The plan which is adopted of giving for a series of years the percentage of cost of collection on revenue is, we venture to think, in many cases misleading, because an increase of the percentage of cost of collection may be, and often is, attended with an increase of the total net revenue. This system may in some instances—that is to say, where the same fiscal system has continued in force during all the years under comparison without any considerable changes—lead to fairly accurate conclusions. In other cases it is fallacious.

14. The application of this method of criticism to the opium revenue appears to us to be specially faulty. In this case the proportion which cost of collection bears to gross revenue depends almost entirely on (1) whether there is a good or bad poppy crop in the Behar and Benares Agencies; and (2) whether the demand for Indian opium in China is brisk or the reverse. A glance at the figures given in paragraph 7 of the Despatch under reply is sufficient to show the main reason why the general percentage under the group entitled *Direct Demands on the Revenue* from 1874-75 to 1876-77 (17·2 per cent.) is relatively high, and that from 1871-72 to 1873-74 (15·4 per cent.) is relatively low. The reason is, that opium has been included in the calculation, and that from 1874-75 to 1876-77 the average expenditure on opium was 2,467,000 *l.*, whilst from 1871-72 to 1873-74 the average expenditure was only 1,804,000 *l.* Again, it is certain that the opium expenditure of 1883-84 will be greatly below the estimate, and that thus, under the method adopted in the Despatch under reply, the percentage of 1883-84 will be reduced. But this reduction is no matter for congratulation, but the reverse. It means that from 1884-85 the estimate of Opium Revenue will have to be largely reduced. As almost the whole of the expenditure

* See *Appropriation Audit Report for 1881-82, Section K*. There were War receipts included amongst the Ordinary receipts of 1881-82, to the extent of 155,000 *l.* The net war expenditure included in the Ordinary account was, therefore, according to the Comptroller General's estimate, 505,000 *l.* As, however the figures given in para. 5 of the Despatch under reply are gross, we have given the gross figure above viz., 660,000 *l.*

expenditure under this head consists of the purchase of crude opium from the cultivators, it follows that high expenditure in any one year implies a high revenue in subsequent years, and *vice versa*.

15. The case of *Salt* is hardly less strong. It is pointed out (paragraph 9) that "the large increase which is shown under *Assignments and Compensations* arose in 1878-79 and the following years, when annual payments

	Assignments and Compensations on account of Salt.	Net Salt Revenue.
1876-77 - - -	£ 45,000	£ 5,741,000
1877-78 - - -	34,000	5,830,000
1878-79 - - -	204,000	6,798,000
1879-80 - - -	324,000	6,572,000

"were promised to the Native Chiefs in Rajputana in connection with the arrangements made for the collection of the Salt Revenue." Nevertheless, in paragraph 12 a percentage is worked out which includes the amount of these payments in the cost of collection of salt. As a matter of fact, the result of making these payments was that the net revenue from salt was

considerably increased, as the figures in the margin will show.

16 This, however, is not the only source of error so far as *Salt* is concerned. The expenditure of 1881-82 and subsequent years has been in appearance considerably increased, owing to the cost of conveying salt to the Government depôts in Northern India having appeared in the accounts and estimates as expenditure. Of course, this increase is only nominal. The cost of conveyance is added to the selling price (see on this subject Appendix II. to Sir Evelyn Baring's Minute of 11th August, paragraphs 48, 50, 52 and 56. Enclosure to Despatch No. 234 of 24th August 1883).

17. Then again the increased expenditure on preventive establishments in Madras has unquestionably led to an increase of net revenue (see on this subject the Financial Statement for 1883-84, paragraph 106, and the remarks contained in Appendix II. to Sir Evelyn Baring's Minute of 11th August, paragraph 55).

18. If, therefore, we wish to arrive at conclusions which will be even approximately accurate, it appears to us that it is necessary to deduct the expenditure under *Opium, Salt, and Assignments and Compensations*. We do not say that even then the conclusions to be drawn from the figures will be of any great value, but we think that they will be more valuable than those which may be drawn from the table given in paragraph 7 of the Despatch under reply. The results which are obtained by this method of comparison are set forth in paragraphs 22-25 of Sir Evelyn Baring's Minute, which is appended to this Despatch. It will be seen that they differ materially from those obtained under the system adopted in the Despatch under reply.

19. In paragraph 10 the question of *Land Revenue* expenditure is considered separately. We wish to observe that a very important consideration bearing upon the percentage which the cost of collecting the Land Revenue bears to receipts in the years 1882-83 and 1883-84 has been omitted. This consideration is that the Patwari cess in the North-Western Provinces, which yielded 241,000 *l.* a year, was abolished in March 1882. Further, it is to be observed that the payment of patwaris (village accountants) and kanungoes (supervisors) in Oudh from Government revenues cannot be regarded as an increase of expenditure in the ordinary sense of the term. It is in the nature of a remission of taxation. This subject is more fully discussed in paragraphs 26-30 of Sir Evelyn Baring's Minute which is appended to this Despatch.

20 In paragraph 14 of the Despatch under reply the following remarks occur as regards the expenditure under *Post Office and Telegraph*: "The receipts from the Post Office are, to a great extent, limited by the terms of the International Convention, and the advantages conferred on India by the great development of both the postal and the telegraph services are undoubted; nor do I overlook the fact that in the annual charges of the year is included the capital cost of the telegraph lines which are now being greatly extended in India. Still, it must be observed that both the gross and the net expenditure of these services has largely increased in recent years; and every effort should be used to make them more nearly self-supporting, so as to relieve the finances from the burden which they now bear in respect of them."

21. Turning first to the question of *Post Office*, we have to observe that any limitations to the receipts imposed by the terms of the International Convention can only apply to postal communications with foreign countries. The revenue, derived from foreign traffic forms but a small proportion of the total revenue of the Indian Post Office. We wish also to make a few remarks upon the question of the extent to which the Post Office is at present "self-supporting."

22. It would be erroneous to suppose, because the net Post Office expenditure in 1883-84 is estimated at 212,000 *l.*, that this figure really represents the burden which the general taxpayers have to bear on account of the Post Office. This is very far from being the case. In the first place, the charges on account of *District Daks* are debited to *Post Office*, whilst the receipts which cover those charges are credited to *Provincial States*. These receipts amount to about 100,000 *l.* a year. Further, a good deal of the money spent by the Post Office comes back to Government in the form of receipts under *Railways*, the only real cost involved being the wear and tear consequent on the conveyance of the mails. The real estimated cost of the Post Office to the taxpayers in 1883-84 is not 212,000 *l.*, but about 68,000 *l.* (see paragraphs 32-40 of Sir Evelyn Baring's Minute attached to this Despatch). Even this, however, does not fully represent the true facts of the case. For, in the first place, the Post Office carries all service letters at very low rates; and, in the second place, the subsidy paid to the British India Steam Navigation Company, amounting to 72,500 *l.* a year, is by no means paid for postal purposes only. If the contract had been based on postal necessities alone, a very much lower charge would, no doubt, have been shewn. But in point of fact other considerations, wholly unconnected with the conveyance of the mails, influenced the terms upon which the contract was made.

23. On the whole we think it may be said that the Post Office is now self-supporting or very nearly so, although, owing to the impossibility of making an accurate division of such a charge as the subsidy granted to the British India Steam Navigation Company, it is impossible to state very precisely the real position of the Department. In any case we should very much deprecate any increase of the charges made to the public in order to render the Post Office more lucrative than at present. Neither, on the other hand, do we believe that any reduction of expenditure is possible. On the contrary, it may confidently be anticipated that, as population grows, and the material prosperity of the country increases, postal charges will also increase.

24. Turning to the cost of *Telegraphs*, we wish to observe that, if capital expenditure be excluded, the Indian telegraphs are already self-supporting, and indeed yield a considerable net revenue, which in 1883-84 is estimated at 75,000 *l.* We cannot but think that this result is very satisfactory, particularly as some recent concessions have been made to the public in the way of reducing the tariff. This subject is more fully discussed in paragraph 41 of Sir Evelyn Baring's Minute, which is appended to this Despatch.

25. As regards capital expenditure, it is to be observed that the Telegraph Department, like every other Department of the Government, was obliged to reduce its expenditure during the Afghan War. Since the pressure of the Afghan War has been removed, the Government has fortunately been able to devote a larger amount of money to the construction of Telegraphs. The estimated capital expenditure (net) in 1883-84 is 260,000 *l.*, but it is improbable that the whole of this amount will be spent. We cannot think that, including capital expenditure, the Telegraph Department should be made self-supporting. Such a view would certainly never be taken by any commercial company, and we doubt whether any Government in the world is able to make its Telegraph extensions out of current revenue, and at the same time shew a net surplus from Telegraphs. The English Telegraph Department, if the interest on the capital borrowed for the purchase of the Telegraphs be brought to account, shews a deficit. If it were held that, including capital expenditure, the Telegraph Department was to be self-supporting, the result would be not only to check the construction of telegraphs, which are very much required, but also to check the construction of railways, for we need hardly say that a railway cannot be worked without a telegraph. We have only to add that the estimated capital

capital expenditure on Telegraphs in 1883-84 was exceptionally high, and that it is improbable that so large a grant will be made in 1884-85.

26. Passing over the groups entitled *Civil Department* and *Miscellaneous Civil Charges*, some remarks in respect to which will be found in paragraphs 43-55 of Sir Evelyn Baring's Minute attached to this Despatch, we come to the group entitled *Public Works not classed as Productive (omitting Subsidised and Frontier Railways)*. Speaking of the relatively large expenditure of recent years under this head, the following passage occurs in the Despatch under reply (paragraph 22): "I am aware that this outlay has, to a great extent, been met from the Provincial balances, which in some provinces had accumulated largely."

27. We wish to point out that to say that this outlay has to a great extent been met "from the Provincial balances" does not quite accurately represent the whole of the facts of the case. It would have been more correct if it had been said that the outlay had to a great extent been met from the provincial and local balances. The distinction between provincial and local finance is too often lost sight of. Mr. Barbour has rightly pointed out in his Memorandum of 16th June (see enclosure to our Despatch No. 234 of 24th August 1883) that "Local revenues are quite different from Imperial and Provincial revenues; they are the proceeds of taxation raised for local purposes, and are, under conditions of greater or less stringency, at the disposal of local bodies." Mr. Barbour then points out that the financial position of these Local bodies justified their spending during the years 1881-82, 1882-83, and 1883-84, 591,000 *l.* a year, or 1,773,000 *l.* in the three years, in excess of the average of the previous 10 years; and further, that, in order to spend this money on roads, bridges, &c., "no sanction by, or even reference to, the Government of India was necessary." The powers of the Local bodies are, in fact, usually defined by law, or by rules having the force of law. To restrict those powers would be contrary not only to the policy initiated by Lord Mayo and developed by his successors, but also to the policy which has commended itself to every successive Government since the Mutiny.

28. The Despatch then goes on to say (paragraph 22) that, "if additional grants are made in any year from the balances, they should only be allowed on the condition that the establishments are not materially enlarged, at the risk of difficulty attending their reduction in a subsequent year when smaller funds may be available." The facts that the words which refer to the possible increase of Public Works establishment are italicised shows the importance which your Lordship attaches to this consideration. We fully agree that the point is one of great importance. It becomes necessary, therefore, to examine this question thoroughly, with a view to ascertaining the extent to which the recent expenditure from the Provincial and Local balances has led to an increase of the establishments of the Public Works Department. This has been done in paragraphs 58-92 of Sir Evelyn Baring's Minute attached to this Despatch.

29. We do not think that the facts and figures, which are fully set forth in our honourable colleague's Minute, are of a nature to cause any apprehension. The permanent establishments have not been practically increased, except in so far as new works (Railways and Canals) need new working establishments, which are charged to Revenue. These establishments are, of course, indispensable. There has, as is explained in our honourable colleague's Minute, been an increase of temporary establishments engaged for the job, but all men so engaged can, of course, be discharged at any time with a month's notice. In dealing with this subject, we have always kept steadily in view the instructions which were conveyed to us in Lord Hartington's Despatch, No. 50 P.-W., of 8th September 1881 (paragraph 5), in the following terms:—

"It should be henceforth regarded as the fixed rule that the permanent Public Works establishment in any province or branch of the Department should be regulated by the ascertained requirements of the service for the discharge of the duties which may certainly be reckoned upon as recurrent year by year, irrespective of any large new undertakings, provision for which should be made when necessary by the temporary employment of persons especially engaged for such periods as in each case may appear desirable, and

“on the distinct understanding that at the end of such employment no claim will arise for pension or continued service under Government.”

As regards the general result of the administration of the Public Works Department during the last 11 years, we beg to refer to our Resolution of 27th June 1883, which was enclosed in our Despatch No. 30 (Public Works) of 30th June 1883, and more especially to the following passage:—

“To sum up the result of the 11 years' Public Works administration, the net Imperial expenditure, excluding Famine, has been reduced by 1,893,271 L., and the revenue from Productive Works has been increased by 2,121,616 L., notwithstanding that 54,543,202 L. have been added to the 'Productive' debt, and that 4,505 miles of new railway have been opened up to this date, while 1,602 miles more are under construction.

“As regards railways, it may be added that, as shown at page 44 of the Preliminary Administration Report of the Director General of Railways for 1882-83, the total capital cost of all lines open to traffic was 143,171,856 L. on the 31st of December last, and that the net earnings, including interest, were 5.37 on this amount. The State Railways alone earned 3.03 per cent., or 4.12 per cent. if the Punjab Northern, Indus Valley, and Kandahar lines be excluded.”

30. Paragraph 23 deals with ordinary *Army* expenditure, and it is observed that “the effective charges have thus been materially reduced, while the non-effective charges are steadily increasing.” In connection with this subject we wish to point out that the Government of India has a certain control over the effective charges, but over the greater portion of the non-effective charges it has no control whatever.

31. In paragraph 24 the following remark occurs:—“Nor do I lose sight of the fact that much of this additional expenditure has been caused by changes of organisation in the British Army, the responsibility for which does not rest with the Government of India. But however these charges have arisen, the rapidity of their growth, makes it all the more necessary to exercise the strictest economy in other directions.” It is satisfactory to know that your Lordship recognises that the additional military expenditure of late years has been to a great extent caused by changes in the organisation of the British Army for which the Government of India is in no way responsible. We quite agree in thinking that the growth of the charges, which are imposed on the Government of India from England, renders the strictest economy in other directions all the more necessary. But we venture to think that it is also necessary that some system should be devised, under which the Government of India should not be liable to have heavy charges thrown upon it with little reference to the special wants of India or to the condition of its finances. We cannot help also observing that in this Despatch, which presses upon us the necessity of reducing expenditure on the most necessary objects, no notice whatever is taken of the proposals for the reduction of military expenditure which we made in 1881, although that is the branch of our expenditure in which important reductions may be made most readily, not only without injury to the public service, but with a clear increase of efficiency.

32. Speaking of the increase on account of *Superannuations*, it is observed (paragraph 24) “that the charges for superannuations have increased during the last 10 years from about 2,800,000 L. to 4,900,000 L., or to the extent of 75 per cent., and now amount to nearly 12 per cent., or one-ninth of the net revenue of India.”

33. The figures upon which these statements are based include the non-effective military charges, a question which is so fully discussed in our Despatch No. 223 (Financial) of 10th August 1883, that we need say no more about it now. In dealing, however, with the charge debited under the head *Civil Superannuations* in the Accounts and Estimates, the following facts have to be borne in mind:—

- (1) That since 1873-74 there has been a reduction of about 60,000 L. under the service heads, by reason of these heads being now debited with

- with the net salaries, instead of adopting the former practice of debiting the service heads with the gross salaries, and crediting the annuity funds with 4 per cent. upon them.
- (2) That when the Government took over the annuity funds, a charge of 4 per cent., which was debited under *Interest*, and which amounted in all to 200,000 *l.* a year, ceased.
 - (3) That the large reductions in Public Works establishments in 1879-80 caused a considerable increase under *Superannuations*, of which, however, a considerable portion, being that for gratuities, was only temporary, and against which has to be balanced the larger saving under establishments.
 - (4) That the charge in 1881-82 (805,000 *l.*) under pensions of the *Military and Medical Funds* was abnormally high, owing to the return to subscribers, who elected to retire from the Bengal Medical Retiring Fund, of 90,000 *l.*, being the amount at their credit on 31st December 1881, with compound interest at 6 per cent., subject to a reduction of 10 per cent.
 - (5) That since 1880-81 there has been an increase, which in 1881-82 amounted to about 48,000 *l.*, owing to the transfer of *Superannuations* of Marine pensions and retiring allowances, of pensions of officers of the late Indian Navy, and of pensions to the members of the Bengal Pilot Service. Against this sum, however, should, we believe, be balanced an amount of about 21,000 *l.* in 1881-82 on account of military pensions which have been transferred in England from *Superannuations to Army*.

34. The figures given in the 24th paragraph of the Despatch under reply do not go further than 1881-82. Otherwise we might mention that from 1882-83 there is an increase under *Superannuations* of about 12,000 *l.* a year for pensions and a temporary increase for gratuities, amounting to 25,000 *l.* in the two years 1882-83 and 1883-84, due to the reductions in the Customs establishments. This, however, is more than counterbalanced by a reduction of about 60,000 *l.* a year in the cost of establishments. Further, the expenditure of the year 1882-83 was increased by reason of the Provident Branch of the late Bombay Civil Fund having been abolished. This added 11,300 *l.* to the expenditure of the year. There is, however, on this account a reduction of expenditure under the head of *Interest*, of about 40,000 *l.* a year, as well as a decrease in 1883-84 of about 6,000 *l.* under *Superannuations*, due to the same cause.

35. In paragraph 26 the following remarks occur :—

“Apart from this heavy charge for *Superannuations*, a review of the foregoing figures shows that the expenditure has in recent years risen to a more or less serious extent, under the heads of Collection of Land Revenue, Opium, Salt, Forest, Post Office, Telegraph, General Administration, Law and Justice, Police, Education, Medical, Scientific and other Minor Departments, and Public Works not classed as Productive. Over nearly all of these branches the Local Governments have more or less direct control; and, while I do not deny that the expenditure is to a considerable extent necessary, and in most cases beneficial, provided that the paramount consideration is borne in mind of keeping it within the income of the year, I cannot but fear that this condition has not on all occasions received the attention it deserves.”

36. We do not understand what is meant when it is said that “over nearly all of these branches the Local Governments have more or less direct control.” The expenditure under *Opium*, *Salt*, and *Telegraph* is completely under the control of the Government of India, and the same may be said, with very slight exceptions, as regards *Forest* and *Post Office*. Still less do we understand what is meant when it is said that the paramount consideration of keeping within the income of the year “has not on all occasions received the attention it deserves.” Out of the 13 heads of account mentioned above, this remark can only possibly apply to one, namely *Public Works not classed*

as *Productive*, and it is certainly a very arguable point, which we will presently discuss, whether, when the Local Governments have large accumulated balances, it is a paramount consideration that they should not spend more than the income of the year. As regards Local Funds, their application is mainly defined and regulated by the Acts under which they are constituted, and the Government of India has not in all cases the legal power to enforce this entirely novel condition.

37. After making some general remarks on the policy of decentralisation, to which we shall presently recur, the following passage occurs (paragraph 27) —“According, however, to Abstract D., appended to your Financial Statement, “the Provincial Governments exceeded their annual income in 1881-82 by “1,520,000 *l.*, and in 1882-83 by 1,525,000 *l.*, and they are estimated to do so “in 1883-84 by 1,500,000 *l.*” There is a serious error of fact in this statement. The figures, so far as they relate to the year 1881-82, given in Abstract D., are as follows : --

	£.
Balance at end of 1880-81 - - - - -	3,298,064
Added in 1881-82 - - - - -	1,521,019
Spent in 1881-82 - - - - -	1,227
Balance at end of 1881-82 - - - - -	4,817,856

38. We wish to point out that, in the case of the year 1881-82, the sum of 1,521,019 *l.*, which is entered as having been “added in 1881-82,” is treated in the Despatch under reply as if it had been spent, and the sum of 1,227 *l.*, which is entered as having been “spent in 1881-82,” is treated as if it had been added. Thus, by the subtraction instead of the addition of about 1,500,000 *l.*, an error of 3,000,000 *l.* is created. So far from the Provincial Governments having “exceeded their annual income in 1881-82 by 1,520,000 *l.*” their balances were increased by about that sum. The strictly accurate way of stating the case is as follows. The Provincial Governments added 1,754,990 *l.* to their balances in 1881-82. Local bodies, on the other hand, reduced their balances by 235,198 *l.* Looking at Provincial and Local balances together, there was an increase in the balances of 1,519,792 *l.*

39. In connection with the estimated Provincial and Local balances on 31st March 1884 (1,793,156 *l.*), it is observed (paragraph 27) that it is “little “more than enough to meet the expenditure of a single year in excess of “their income at the present rate.” This statement is quite correct; but, of course, there was never the least intention to continue expenditure in future years at the rate of the estimated expenditure of 1882-83 and 1883-84. The expenditure from the balances which accumulated during the Afghan War is of a purely temporary nature.

40. Your Lordship then goes on (paragraph 27) to say that—“There will “be an obvious danger that, when the balances are exhausted, it may be “impossible suddenly to effect the necessary retrenchment without much “waste and hardship, or that the equilibrium could only be restored by “resorting to the serious evil of imposing fresh taxation.”

41. The importance which your Lordship attaches to this subject is shown by the allusions which were made to it in former Despatches, to which attention is drawn in paragraph 1 of the Despatch now under consideration. In a Despatch, No. 222, of 28th July 1881 (paragraph 50, Lord Hartington expressed himself as follows :—“While I recognise the claim of the Provincial “Governments to dispose of their accumulated balances, as has been allowed “in the present year, when the state of the general finances permitted it, I “trust that your Government will exercise such a supervision as will prevent “them from entering into an expenditure which cannot be readily reduced “within a scale corresponding to their annual revenues.” Allusion was again made to the same subject in paragraph 41 of a Despatch, No. 243, of 3rd August 1882.

42. There

42. There can be no doubt that, if it can be shown that any Provincial Government has increased its permanent recurring annual expenditure above its permanent recurring annual income, the position would be serious. We do not, however, understand that this is alleged. If, moreover, the Provincial Governments have undertaken large public works, which it would be false economy not to complete, and which there is reason to suppose cannot be completed with the resources at their disposal, without a resort to fresh taxation, there would be ground for anxiety. But, if it can be shown that the balances have been spent once for all on railways and canals, or, still more, on jails, court-houses, public offices, &c., that the excess expenditure will cease when those works are completed, and that they can be completed with the resources now at the disposal of the Provincial Governments, then we submit that the financial position is quite sound, and that there is no ground for the apprehension that a resort to fresh taxation will be necessary. It will be desirable to go fully into the details of this question, in order to show which of the views, to which we have alluded above, is borne out by the facts of the case. This has been done in paragraphs 93-117 of Sir Evelyn Baring's Minute attached to this Despatch.

43. We venture to think that the facts which are adduced by our honourable colleague are of a nature to show that the apprehensions which your Lordship seems to entertain are unfounded. The Provincial works are isolated, entailing no liabilities except the small one for the completion of each. The larger works, such as railways and canals, are either already completed or will very shortly be finished. There is no class of outlay which is more under the control of Government than that on *Civil Buildings*, &c. The Government can build as many jails, cutcherries, &c., as it pleases, according to its means, and the time will soon come when the districts, which have been notoriously deficient in these necessaries of administration, will be fairly well supplied. So also the number of miles of road to be constructed in any one year depends on the funds available for the time being.

44. In paragraph 28 of the Despatch under reply, attention is drawn to the fact that the balance of the Bengal Government at the end of the current year is estimated at 70,000 *l.*, which, it is observed, is "an amount which appears to me much too small a reserve for the wants of so large a Province." Attention is also drawn to the fact that the closing balance of British Burmah is estimated at less than 17,000 *l.* We agree in thinking that these balances are too low; and we will presently state what steps should, in our opinion, be adopted for the future to prevent them sinking to so low a figure. In the meanwhile, we wish to say that, for the reasons stated in paragraph 10 of this Despatch, the actual closing balances will very probably be considerably in excess of the estimates. No blame can be imputed to the Lieutenant-Governor of Bengal or the Chief Commissioner of Burmah in this matter, because hitherto the rule in the matter of balances has been that the Local Governments must never absolutely exhaust their balances. (*See* Financial Resolution No. 1709, dated 22nd March 1877.)

45. Your Lordship then goes on to say: "I am apprehensive * * * that their Budgets (*i.e.*, the budgets of the Provincial Governments) have been passed by your Government as a matter of course, provided only that their balances were sufficient to avoid any demand being made on your Treasury." The Provincial Budgets have always been carefully scrutinised before they have been passed, but we are quite willing to admit that, if the Bengal and Burmah estimates are realised, the balances of those Provinces will have been allowed to fall too low.

46. The gravamen of the complaints now made appears to be that during the last few years there have been great fluctuations in the annual rate of Provincial and Local expenditure. It is said (paragraph 27) that the "expenditure should be at a sufficiently uniform rate to avoid violent fluctuations." In this view we entirely agree; but, before any blame is imputed either to the Provincial Governments or to the Government of India on account of these fluctuations, and before any restrictions are imposed on the powers now possessed by Provincial Governments, it is necessary to inquire what causes have led to the fluctuations, and whether such fluctuations are likely to recur in the future. Allusion is made to these causes in the 29th paragraph of the Despatch under reply. "In 1881," it is said, "their balances (*i.e.*, the balances of

“Provincial Governments), which had already been exceptionally increased “by suspension of expenditure, were further augmented by the grant of “670,000 l. for expenditure on Productive Public Works. This may have led “to a somewhat irregular outlay not likely to recur.” The causes of the recent fluctuations in expenditure are rightly indicated, but we doubt whether the extent to which the Afghan War exercised a disturbing influence on the financial position for a long time after its conclusion has been fully realised. On 9th November 1878, the Government of India issued the following orders:—“In view of the possibility of military operations beyond the North “Western Frontier, for which costly preparations are being already made, “* * * it is of immediate importance that the resources of the country “should thus, as far as possible, be made available to meet present and probable “extraordinary demands; and measures should be taken for suspending or “postponing all optional expenditure, whether Imperial, Provincial, or even “from Local Funds, the balances of which are in the Imperial Treasury.” The manner in which these orders operated will be seen from the following table, which shows the growth of the Provincial and Local balances from 1877-78 to 1881-82:—

	Provincial Balances.	Local Balances.
	£.	£.
1877-78 - - - -	399,564	861,642
1878-79 - - - -	1,323,467	1,199,113
1879-80 - - - -	1,723,311	1,284,642
1880-81 - - - -	1,950,056	1,386,271
1881-82 - - - -	3,705,046	1,146,497

47. The large increase in the Provincial balances in 1881-82 was partly due to the fact that the country was very prosperous during that year, and partly to the repayment by the Imperial Government to the Provincial Governments of 670,000 l., which had been taken from them during the war. It would, we submit, have been very faulty finance, and it would certainly not have been in harmony with the spirit of the Provincial contracts, if the Local Governments had not been allowed to spend their accumulated balances. But by the end of 1883-84 by far the greater portion of those balances will have been spent. The effects of the Afghan War will still be felt in 1884-85, although to a much less extent than during the current year. In 1885-86 the normal conditions of Provincial finance should, we think, have been attained.

48. We have dealt fully with the facts and arguments adduced in the Despatch under reply, because it appears to us very important that those facts and arguments should be carefully examined, with a view to ascertaining how far they justify any apprehensions as regards the financial future. We do not, however, at all wish to imply that the present regulations, under which Local Governments are allowed to spend their money, are perfect and admit of no improvement. We are of opinion that some changes are desirable. We proceed to discuss the nature of these changes.

49. Your Lordship says (para. 29)—“In making these observations, I do “not wish at all to interfere with the disposal of their funds by the Local “Governments under any suitable general regulations laid down.” We fully agree that some further general regulations than those which at present exist should be laid down, but we are unable to think that the regulations proposed are altogether suitable. Great care is necessary in dealing with this question. We cannot hope to obtain the advantages both of decentralisation and centralisation. The advantages of the former far outweigh those of the latter system, but it cannot, of course, be denied that a much more rigid control over expenditure by the Government of India is possible under a centralised than under a decentralised system of government. Further, we must be careful how we touch a system which has produced such very satisfactory results. That the general results of the system have been satisfactory is fully recognised in the Despatch under reply. “The policy,” it is said (para. 27), “of decentralisa-
tion

“ tion of some portion of the finances has certainly been eminently successful
 “ as regards the improvement of the revenue under the more careful supervision
 “ of the Local Governments.” Some of the improvement of the revenue is, of
 course, due to general prosperity, but, without doubt, a good deal of it is due to
 the cause to which allusion is made above. It may well be doubted whether
 the supervision of the Local Governments would have been so careful, had
 they not been stimulated by the knowledge that a considerable latitude would
 be allowed to them in spending any money they might save. We must be
 careful, therefore, how we restrict the latitude which has heretofore been
 allowed to them.

50. The regulations now laid down (para. 29) are that, subject to certain
 exceptions, to which we will presently allude, the “ rule of keeping the expendi-
 ture of each Local Government within its annual income should only be set
 aside for urgent reasons.” “ I desire,” your Lordship adds, “ that they (the
 Local Governments) may be requested in future to prepare their Budgets in
 conformity with this principle.”

51. The exceptions which are to be allowed to these rules are three in
 number. We give them in the words of para. 29 of the Despatch under reply.
 They are as follows:—

- (1) “ Cases may hereafter arise where a public work is of great import-
 “ ance, and where, by the system of contract, it can be constructed
 “ without enlarging the establishments, and for this object some
 “ accumulation of funds may be justified, and the surplus balances
 “ may be properly applied to such a purpose.
- (2) “ After the Budget for the year has been determined, some unfore-
 “ seen want may be felt; and, if the pressure is sufficient to
 “ make immediate action desirable, a grant from the balances
 “ may properly be sanctioned.
- (3) “ There may be an unexpected and temporary loss of revenue, and
 “ the appropriation of a portion of the balances may meet the
 “ deficiency, without the necessity for disarranging any branch of
 “ the administration, in order to provide the necessary equi-
 “ brium.”

52. We think it is to be regretted that these orders were issued without
 consultation with the Government of India. If there be one Indian question
 more than another that requires full consideration in India as well as in Eng-
 land, it is the Provincial system of finance. Under present circumstances,
 however, it only remains for us to consider whether we can carry out these
 orders, or whether, before doing so, we should move your Lordship to allow
 some modifications of them.

53. It is quite clear that, if the general rule to which allusion is made in the
 last sentence of paragraph 29 of the Despatch under reply be made absolute,
 a fatal blow would be struck at the Provincial system of finance. If the
 Provincial Governments, having saved money in past years, are not to be
 allowed to spend their savings save “ for urgent reasons,” they will have but
 little inducement to save at all. The result, so far from being productive of
 economy, would certainly lead to extravagance. No attempt would be made to
 save money, and every effort would be made to spend the whole of the annual
 income within the year. Experience has taught us how very wasteful this
 system is, particularly as regards expenditure by the Public Works Depart-
 ment.

54. The feasibility of giving effect to the instructions, without virtually
 destroying the Provincial system of finance, depends, therefore, on the nature
 of the exceptions to the general rule which are allowed.

55. It is obvious that it would be quite impossible not to allow of the second
 and third exceptions to which allusion is made in para. 51. If “ some unfore-
 seen want ” arises during the year, in respect to which “ immediate action is
 desirable,” a special grant must, of course, be made. Otherwise it would
 not be possible to grant one rupee during the year for which provision had not
 been

been made at the time of Budget. Under existing regulations the Local Governments cannot sanction any expenditure during the year in excess of the total of their Budget Estimate without the consent of the Government of India, although savings under one head of account may be used to balance excess expenditure under some other head. Also, "if an unexpected and temporary "loss of revenue" occurs during the year, the deficiency must, of course, sometimes be met from the balances. Otherwise there would be no option but to impose fresh taxes during the year to meet some temporary loss, although neither the Local Government nor the Government of India might consider the adoption of such a course necessary. These exceptions are, therefore, of slight importance. Neither of them apply until after the Budget Estimate of the year has been passed. It would have been practically impossible not to allow them.

56. The first exception is, however, that which is of the greatest importance. It applies before the estimate of the year is framed. Under this exception a Local Government is to be allowed to draw upon its balances "when a public work is of great importance, and when, by the system of contract, it can be "constructed without enlarging the establishments." This imposes three limitations on Local Governments which do not now exist.

57. In the first place, the public work is to be "of great importance." Some latitude would probably be left to the Local Governments or to the Government of India in deciding as to the degree of importance which would bring any particular public work within the terms of this exception. We presume, however, that the intention is to include a railway or canal amongst public works "of great importance," but not to include a road, a jail, a hospital, a dispensary, &c. This very seriously limits the power which the Local Governments have heretofore possessed. We can see no reason whatever why, if the Local Governments have a large balance in hand, they should not spend some of their savings on minor works quite as much as on works "of great "importance."

58. Secondly, it appears that money cannot be spent from the balances unless "the contract system" be adopted. We see no reason for this limitation. It will often be possible to spend money from the accumulated balances of past years through the direct agency of Government, without any permanent increase of establishment, and without causing any financial embarrassment in the future. Indeed, it would often be more economical to employ Government agency, because the adoption of the contract system in all cases might sometimes imply that the Local Governments would be paying for establishments when their own establishments were available for the work.

59. Thirdly, as regards works which "can be constructed without enlarging "the establishments," we wish to observe that no distinction is made between permanent and temporary establishments. We entirely agree in the view that a temporary abundance of funds should not be allowed to lead to a permanent increase of establishments, but we see no objection whatever to a temporary increase in order to supervise an expenditure once and for all.

60. For these reasons we think it would be undesirable to give effect to the instructions contained in the Despatch under reply. We are not bound to defend every item of expenditure incurred by the Local Governments. But, even if in some cases there may have been a waste of public money, it is trivial as compared with the great advantages derived from the policy of decentralisation. We do not admit that the existing system has generally led to waste, or to a permanent increase of establishments, or to liabilities which will involve financial embarrassment in the future. The results of the system since its introduction may be summarised as follows:—

- (1.) The Local Governments were started in 1871-72 with receipts which fell short of their expenditure by 331,000 £.
- (2.) In 1877-78 a new contract was made with them, and Imperial revenues gained to the extent of 400,000 £. per annum.
- (3.) In 1881-82 the third contract was made, and Local Governments surrendered 387,000 £. per annum.

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The Local Governments have made these large contributions for the benefit of Imperial revenues, they have liberally met the wants of the Administration, and they have saved more than 1,000,000 L.; in these circumstances we see little ground for imputing extravagance.

61. We are unable, therefore, to see what reasons exist for such considerable changes as those proposed in the Despatch under reply. We think that serious objections exist to those changes. They do not appear to us to be in harmony with the essential principles upon which the Provincial system of finance rests. Neither are they in harmony with the declaration made by Lord Hartington in his Despatch, No. 222, of 28th July 1881 (paragraph 50), to the effect that his Lordship "recognised the claim of the Provincial Governments to dispose of " their accumulated balances, as has been allowed in the present year (1881-82), " when the state of the general finances permitted it." Moreover, we are pledged to the existing Provincial contracts for three more years. To make such important changes as those proposed would destroy the confidence of the Local Governments in arrangements made by the Government of India with the full authority of the Secretary of State.

62. It remains to be considered what regulations may, in our opinion, be suitably enforced in the future as regards Provincial expenditure, and what steps it is incumbent on us to take in order to give effect to the recent Resolution of the House of Commons, to which allusion is made in paragraph 31 of the Despatch under reply. That Resolution was conceived in the following terms:— " That, in the opinion of this House, it is necessary that early steps be taken " to reduce the expenditure of India." Speaking of this Resolution, your Lordship says: " I request your Excellency to take the subject of the reduc- " tion of expenditure into your earnest consideration. Even if it should not " be found practicable to diminish to any large extent the total charges, I can " hardly doubt that economies may be effected in particular departments, and " I rely on your Excellency's Government to spare no effort to check the growth " of expenditure."

63. Turning, in the first instance, to the rules regulating Provincial expenditure, we entirely agree (paragraph 27) that " the balance which each Local " Government should keep in your Treasury ought to be fixed at such an amount " as, without unduly locking up their funds, shall suffice to meet any exceptional " demands that are at all likely to occur."

64. The precise minimum balance which each Local Government should be obliged to keep in hand must be fixed with reference to the size, revenue, and liabilities of each province, and also with reference to its liability to famine. For instance, a relatively small balance will suffice for Burmah and Assam, for those provinces are not liable to famine. The following minimum balances appear to us, as at present advised, to be suitable:—

	£.
Central Provinces - - - - -	80,000
Burmah - - - - -	60,000
Assam - - - - -	50,000
Bengal - - - - -	200,000
North-Western Provinces and Oudh - - - - -	200,000
Punjab - - - - -	100,000
Madras - - - - -	200,000
Bombay - - - - -	200,000
TOTAL - - - £.	1,090,000

65. We suggest these amounts as the minimum Provincial balances. The estimated closing balances of the Provincial Governments on 31st March 1884, are as follows:—

	£.
Central Provinces - - - - -	207,000
Burmah - - - - -	14,000
Assam - - - - -	50,000
Bengal - - - - -	68,000
North-Western Provinces and Oudh - - - - -	246,000
Punjab - - - - -	173,000
Madras - - - - -	195,000
Bombay - - - - -	301,000
TOTAL - - - £.	1,254,000

66. It will be seen that the total amount of the balances (1,254,000 *l*) is 164,000 *l*. in excess of the total minimum which it is proposed to prescribe (1,090,000 *l*.). Some provinces, however, are estimated to close with a balance in excess, and others with a balance below the minimum. Thus the Central Provinces will be 127,000 *l*., the North-Western Provinces and Oudh 46,000 *l*., the Punjab 73,000 *l*., and Bombay 191,000 *l*., in excess of the minimum. Assam is estimated to close with a balance precisely equal to the proposed minimum (50,000 *l*.). On the other hand, Burmah is estimated to close with a balance of 46,000 *l*., Bengal with a balance of 132,000 *l*., and Madras with a balance of 5,000 *l*., less than the prescribed minimum.

67. We think that every Local Government should be told that it is not to reduce its balance below the prescribed minimum without the special sanction of the Government of India. As regards those provinces (Burmah, Bengal, and Madras) which are estimated to close with balances below the minimum on 31st March 1884, we think they should be told that their expenditure must be reduced to such an extent as to allow of their working up to the prescribed minimum by 31st March 1885. We do not think that either Burmah, Bengal, or Madras should have any difficulty in doing this, for we have little doubt that, under normal circumstances, the closing balances on 31st March 1884 will be considerably above the Budget Estimate.

68. As regards the Local Fund balances it does not appear to us that any special orders are necessary.

69. We do not think that any special rules are required as to the manner in which the Local Governments may spend their balances in excess of the minimum. But we think that the attention of the Local Governments may be drawn to the desirability of avoiding great fluctuations of expenditure in future. In doing this we must carefully avoid imputing any blame to the Local Governments on account of those fluctuations which have recently occurred. We may also draw their attention to the fact that great care must be taken not to increase permanent Public Works establishments beyond what would be required when any surplus balances are exhausted.

70. Turning now to the question of reducing expenditure, it is to be observed that, owing to the exhaustion of the Provincial balances, there would in any case have been a large reduction of expenditure next year. Further, in view of the large reduction which will have to be made in the opium estimate, it will certainly be necessary to frame the Imperial estimates of 1884-85 with great care, and not to allow any additional expenditure that can well be avoided. We do not doubt that some reduction of Imperial Public Works expenditure is possible. The offices at Calcutta and Simla, which have been in course of construction during the last two years, should, we think, be pretty well finished by the end of the current financial year. This will allow of some reduction of expenditure under *Civil Buildings, Roads, and Services*. Further, the grant to the Telegraph Department for capital expenditure, which was unusually large this year (260,000 *l*. net), must certainly be curtailed in 1884-85. Moreover, if any further grant be required for *Frontier Railways* in 1884-85, it will certainly

certainly not be necessary to make provision under this head to the same extent as in 1883-84 (67,500 l.).

71. We think, with reference to the remarks in paragraph 10 of this Despatch, that all the Departments of the Imperial Government, as well as all Local Governments, should be warned to frame their estimates with special care, especially those of expenditure, so that they may harmonise with the facts more nearly than has been occasionally the case in the past. We very much deprecate any general attempt to reduce permanent establishments. Such measures almost invariably lead to extravagance in the end. But we think that, in view of the Resolution in the House of Commons, and of the remarks contained in your Lordship's Despatch under reply, all Departments may be informed that, in framing the estimates of 1884-85, no increase of expenditure should be provided for except on grounds of the clearest necessity, and, further, that the estimates must be framed with a strict view to economy. We do not think anything more than this is necessary.

72. We should be glad if the reply to this Despatch could reach India not later than early in December, that is to say, before the various Departments concerned commence to frame their estimates for 1884-85.

We have, &c.

Ripon.
D. M. Stewart.
E. Baring.
T. F. Wilson.
C. P. Ilbert.
S. C. Bayley.
T. C. Hope.

Enclosure in No. 5.

MINUTE by the Honourable Sir *Evelyn Baring*, K.C.S.I., 24 August 1883.

1. THIS Minute is intended to supplement the Despatch to which it is appended, and to furnish information on points of detail which could not have been incorporated into the Despatch itself without extending it to great length.

2. In paragraph 5 of the Despatch under reply the average gross expenditure (Imperial, Provincial, and Local) of the triennial periods from 1871-72 to 1882-83, as well as the estimated expenditure of 1883-84, is given. The figures are as follows:—

		£.
Average - - - -	1871-72 to 1873-74 -	55,486,000
” - - - -	1874-75 to 1876-77 -	59,549,000
” - - - -	1877-78 to 1879-80 -	65,376,000
” - - - -	1880-81 to 1882-83 -	71,624,000
Budget Estimate - - -	1883-84 - - -	68,316,000

3. I have not endeavoured to check the accuracy of these figures, but I do not doubt that they have been carefully compiled from official sources and that they are correctly stated.

4. Certain items are then deducted from the total expenditure, as stated above (paragraph 2), as “representing expenditure of an abnormal character, or such as is for the most part beyond the control of the Government,” viz. :—

- (1.) Famine Relief and Insurance;
- (2.) Exchange;
- (3.) War Charges;
- (4.) Frontier Railways;
- (5.) Subsidised Railways;
- (6.) Interest on Debt, &c.;
- (7.) Superannuation, Civil;
- (8.) Non-effective Charges, Army;
- (9.) Productive Public Works, Revenue Account.

I have some observations to make in respect to these deductions.

5. There can be no reason why, for purposes of comparison, the sums spent on *Famine Relief and Insurance* should not be deducted. But I wish to point out that, although the occurrence of famine, and therefore the amount of money spent on the relief of famine, is of course "beyond the control of the Government," it cannot be said that the amount spent on insurance against future famines is either "abnormal" or that it is "beyond the control of Government." On the contrary, the money so spent is strictly within the control of Government, and the charge of 1,500,000 *l.* is now normal, that is to say, it will recur annually. I also wish to point out that, as a matter of fact, there is a marked difference between the manner in which the sums entered under *Famine Relief and Insurance* have been spent subsequent to 1880-81, and the manner in which the money was spent in 1880-81 and previous years. Up to 1880-81 the money entered under this head was spent on the actual relief of famine, and the amount which was derived from the famine taxes, which were imposed in 1878, merely went to reduce the war deficits. Since 1881-82 (inclusive) there has fortunately been no famine, and the Government has been able to devote nearly 1,500,000 *l.* a year either to the reduction of debt or to the construction of protective works.

6. The charge for *Exchange* is very rightly deducted. It depends mainly on the fluctuations in the relative value of gold and silver, which are, of course, wholly beyond the control of Government, whether in England or in India.

7. The question of deducting *War Charges* is discussed in paragraphs 11 and 12 of the Despatch to which this Minute constitutes an Appendix.

8. As regard *Frontier Railways*, I have to observe that, if the capital expenditure on unproductive railways made for military purposes be deducted from the expenditure of certain years, I do not quite see why the capital expenditure entered under 42. *State Railways, Capital Account*, which is specially heavy in the years 1878-79, 1879-80, 1881-82, 1882-83 (Revised Estimate), and 1883-84 (Budget Estimate), should not be deducted from the expenditure of all the years under consideration. These latter lines, though not technically classed as Productive, will certainly prove more remunerative than the Frontier Railways. It may, however, be argued that the Frontier Railways would never have been constructed but for the Afghan War. I, therefore, let the deduction stand.

9. I do not quite understand why the charges on account of *Subsidised Railways*, which only occur in the years 1881-82 (18,000 *l.*), 1882-83 (104,000 *l.*), and 1883-84 (185,000 *l.*), are deducted. Neither is any explanation given in the Despatch of the reason why these deductions are made. The charges on this account are "abnormal" in the sense that each case has been treated on its own merits, and that the Government has as yet adopted no regular system for subsidising Railway Companies. But they cannot be said to be "beyond the control of Government." It is, however, a fact that a great deal of this money will eventually come back to the Government. In any case, as the deduction is made in the Despatch under reply, I let it stand for purposes of further calculations.

10. It is perhaps as well to deduct *Interest on Debt, &c.*, as, in so far as *Interest on Ordinary Debt* is concerned, the figures since 1871-72 do not always deal with the same class of facts. *Interest on Debt incurred for Productive Public Works* was only separated from *Interest on Ordinary Debt* from 1876-77 onwards. I think, however, it would have been more correct not to have deducted the charge on account of *Interest on Deposits*. This charge is not "abnormal." It is, moreover, to a great extent within the control of Government. It depends greatly on the interest allowed upon Savings Banks deposits. The heavy charge under this head in 1881-82 was partly* due to the fact that, from 1st January 1880, the interest allowed on Savings Banks deposits was raised from 3½ to 4½ per cent. The estimated fall in 1882-83 (462,400 *l.*) and in 1883-84 (446,400 *l.*) is partly due to the fact that in May 1881 the rate of interest was again lowered to 3½ per cent.

11. I wish, however, to point out that, under the method adopted in the Despatch under reply, the deduction of the charges on account of *Interest on Debt, &c.*, tells to the disadvantage of the year 1881-82, and subsequent years. The disadvantage under which the years from 1876-77 (inclusive) might appear to labour, by reason of a portion only of the total interest charge being deducted in those years, is rectified in the total of the account given in paragraph 5 of the Despatch, because, as the charge on account of *Productive Public Works (Revenue Account)* is deducted, the "Remainder" at the foot of the account does not include any interest charge whatsoever. On the other hand, since 1880-81 there has been a real reduction on account of *Interest on Ordinary Debt*. In 1881-82 a sum of 715,151 *l.* was applied to the reduction of debt. According to the Revised Estimate for 1882-83, 1,330,200 *l.* will have been applied to the reduction of debt in that year. If there be no famine, 131,700 *l.* will be applied to the reduction of debt in 1883-84. The total, therefore, of the three years is 2,177,051 *l.*, representing a reduction in the annual interest charge on account of *Interest on Ordinary Debt* of about 80,000 *l.*

12. The

* See, for other reasons, *Appropriation Report for 1881-82, Section A 2* (paragraph 25).

A REDUCTION OF THE EXPENDITURE OF INDIA. 67

12. The *Civil Superannuation* charges and military *Non-effective Charges* are certainly "beyond the control" of the Government of India and may properly be deducted. I wish I could think that they were in any considerable degree "abnormal."

13. Besides these deductions, the charges on account of *Productive Public Works (Revenue Account)* are excluded from the calculation. If we wish to make any comparison between the expenditure of different years under the service heads, there is no reason why these charges should not be deducted. But, of course, if any general comparison is to be made of the relative growth of revenue and expenditure, the net revenue or expenditure on account of *Productive Public Works (Revenue Account)* must be included.

14. After making the deductions to which I have alluded above, the result (paragraph 5) is as follows:—

	Expenditure.
	£.
Average 1871-72 to 1873-74 - - - -	38,831,000
" 1874-75 ,, 1876-77 - - - -	41,001,000
" 1877-78 ,, 1879-80 - - - -	40,778,000
" 1880-81 ,, 1882-83 - - - -	42,670,000
1883-84 (Budget Estimate) - - - -	43,383,000

15. For the reasons which are given in paragraph 12 of the Despatch to which this Minute is appended, I think that 660,000 *l.*, which represents war expenditure charged to the ordinary account in 1881-82, should be deducted, thus leaving the average expenditure of the triennial period from 1880-81 to 1882-83 (both inclusive) at 42,010,000 *l.*, instead of 42,670,000 *l.*

16. In paragraph 6 of the Despatch under reply the total figures given above are divided into the following groups:—

- (1.) Direct Demands on the Revenues.
- (2.) Post Office, Telegraph and Mint.
- (3.) Civil Departments.
- (4.) Miscellaneous Civil Charges (omitting Superannuations).
- (5.) Public Works not classed as Productive (omitting Subsidised and Frontier Railways).
- (6.) Army: effective services.

17. The several groups of expenditure are then (paragraph 7) examined in some detail, and, dealing first with *Direct Demands on the Revenue*, it is pointed out that in 11 years they have increased by 1,368,000 *l.*, or about 19 per cent. The Despatch then goes on to say: "Compared with the gross receipts from the principal sources of revenue, the direct claims amounted in—

" 1871-72 to 1873-74 to 15·4 per cent.
 " 1874-75 ,, 1876-77 ,, 17·2 "
 " 1877-78 ,, 1879-80 ,, 15·7 "
 " 1880-81 ,, 1882-83 ,, 16·0 "
 " Budget ,, 1883-84 ,, 17·0 "

" which last figure would have been 17·3 per cent., had not the refunds of departmental and other receipts been removed from this group in 1881-82 and charged against the several departmental heads of expenditure." The details of the charges which are included in the group entitled *Direct Demands on the Revenues* are then given under the several major heads as they appear in the Accounts and Estimates. Some remarks as regards the method of comparison adopted in the Despatch under reply are made in paragraph 13 of the Despatch to which this Minute constitutes an Appendix. I may add the following observations:—

18. In the case of *Land Revenue* it might at first sight appear that this system of comparison would lead to accurate results; but it is to be borne in mind, in the words of Sir John and General Strachey,* that "the amount of land revenue collected between
 " 1876-77

* *The Finances and Public Works of India*, p. 27.

"1876-77 and 1879-80 was so greatly disturbed by remissions or postponements of the demand made in consequence of famine, that no comparisons can usefully be made between the figures of particular years." Further, an apparent increase of expenditure in 1882-83 and 1883-84, amounting to 75,000 *l.* a year, is really due to a remission of taxation in Oudh. Lastly, I may mention that we now know from the preliminary actuals of 1882-83 that the accounts will show a better result than the Revised Estimate by about 105,000 *l.* This, of course, affects the comparative percentage of the triennial period from 1880-81 to 1882-83. This method of comparison is, therefore, of but slight value so far as *Land Revenue* is concerned.

19. The method may, however, without any great objection, be adopted in the case of *Stamps, Excise, Registration, and Forest*, although in the case of *Forest* the conclusions to be drawn from this method of comparison are to some slight extent invalidated, owing to a remission of taxation, amounting to about 25,000 *l.* a year, having taken place in January 1882 (*see* Financial Statement for 1882-83, paragraph 53).

20. As regards *Customs, Provincial Rates, and Assessed Taxes*, the numerous changes, which have from time to time been made in the fiscal laws regulating their collection, render any comparisons on the basis of percentages of little value.

21. As regards *Opium and Salt*, I need add nothing to the remarks contained in paragraphs 14-17 of the Despatch to which this Minute constitutes an Appendix.

22. The following table shows how the figures will stand if the expenditure under *Opium, Salt, and Assignments and Compensations* be deducted, as I think it should be:—

000s omitted.

£. 1 = Rs. 10.

Y E A R S.	Figures as stated in Paragraph 7 of the Secretary of State's Despatch. 1.	DEDUCTIONS.			TOTAL Deductions. 5.	Difference of Columns 1 and 5. 6.
		Assignments and Compensations. 2.	Opium 3.	Salt. 4.		
Average 1871-72 to 1873-74 - - -	£. 7,266	£. 866	£. 1,804	£. 479	£. 3,149	£. 4,117
" 1874-75 ,, 1876-77 - - -	8,142	885	2,467	487	3,839	4,303
" 1877-78 ,, 1879-80 - - -	7,990	988	2,142	480	3,560	4,430
" 1880-81 ,, 1882-83 - - -	8,375	1,217	2,144	450	3,811	4,564
Budget Estimate, 1883-84 - - -	8,634	1,246	2,165	546	3,957	4,677

23. In order now to arrive at the proper percentages for comparison, we must deduct the revenue on account of *Opium and Salt* from the totals shown under *Principal Heads of Revenue* in the Accounts and Estimates. This has been done in the following table:—

000s omitted.

£. 1 = Rs. 10.

Y E A R S.	Principal Heads of Revenue. 1.	DEDUCTIONS.		TOTAL Deductions. 4.	Difference of Columns 1 and 4. 5.
		Opium. 2.	Salt. 3.		
Average 1871-72 to 1873-74 - - -	£. 47,177	£. 8,754	£. 6,096	£. 14,850	£. 32,327
" 1874-75 ,, 1876-77 - - -	47,271	8,717	6,260	14,977	32,294
" 1877-78 ,, 1879-80 - - -	50,875	9,634	6,889	16,523	34,352
" 1880-81 ,, 1882-83 - - -	52,717	9,968	6,873	16,841	35,876
Budget Estimate, 1883-84 - - -	50,304	9,200	6,167	15,367	35,223

24. We are now able to arrive at the following results. Compared with the gross receipts from the principal sources of revenue (exclusive of *Opium* and *Salt*), the direct claims (exclusive of *Assignments and Compensations, Opium and Salt*) amounted in—

1871-72 to 1873-74	to 12·73	per cent.
1874-75 to 1876-77	to 13·32	"
1877-78 to 1879-80	to 12·89	"
1880-81 to 1882-83	to 12·72	"
Budget Estimate, 1883-84	to 13·28	"

25. It will be seen that the percentage is lowest in the fourth triennial period, viz., from 1880-81 to 1882-83, being ·01 below the first, ·6 below the second, and ·17 below the third triennial period. Further, it is believed that, when the actuals of 1882-83 are ascertained, the percentage will prove somewhat below the figure reached with the Revised Estimates of that year.

26. With regard to the percentage of 1883-84, it is ·04 below the percentage of the second triennial period, and ·55, ·39, and ·56 above the percentages of the first, third, and fourth triennial periods, respectively; but it is very probable that a considerable portion of this increase will disappear when the accounts for the current year are closed, and it is possible to substitute actuals for the figures of the Budget Estimate. There are, however, some special reasons why the percentage of 1883-84 may be expected to be above that of former years. These are (1) that the abolition of the patwari cess in the North-Western Provinces, whilst it diminished the revenue by about 241,000 *l.* a year, did not involve any diminution of expenditure; * (2) that a remission of taxation in Oudh took the form of an increase of expenditure under *Land Revenue* to the extent of 75,000 *l.* a year; † (3) that there was a large reduction of revenue under *Customs* owing to the abolition of the import duties, and, although customs establishments have been reduced, it was not to be expected that a reduction of expenditure would be possible which would be proportionate to the loss of revenue.‡

27. In paragraph 10 of the *Despatch* under reply the question of *Land Revenue* is considered separately. The remarks made on this subject are as follows:—"Taking together the receipts from *Land Revenue* (including that credited to Productive Public Works) and from *Provincial Rates*, the cost of collection amounted in—

" 1871-72 to 1873-74	to 12·58	per cent.
" 1874-75 to 1876-77	to 12·93	"
" 1877-78 to 1879-80	to 12·40	"
" 1880-81 to 1882-83	to 12·27	"
" Budget Estimate, 1883-84,	to 13·03	per cent.

"From these figures I think it may be inferred that the revenue derived from the land has, up to 1882-83, been increasing at a greater rate than the cost of the establishment charged with its collection, and the contingent outlay which appears under this head; but the increased charge in the Budget for 1883-84, which is caused by the measures adopted last year for the improvement of the position of the Subordinate Civil Service, and for the relief of landlords in Oudh by paying the patwaris from Government revenues, has brought the ratio to a higher point than at any time during the period under review."

28. It is pointed out in para. 19 of *Despatch* to which this *Minute* is appended, that in these remarks no allusion is made to a very important consideration bearing upon the percentage which the cost of collection bears to receipts in the years 1882-83 and 1883-84. This consideration is that the patwari cess in the North-Western Provinces, which yielded 241,000 *l.* a year, was abolished in March 1882. Further, it is to be observed, that the payment to patwaris and kanungoes in Oudh from Government revenues cannot be regarded as an increase of expenditure in the ordinary sense of the term. It is in the nature of a remission of taxation.

29. The average receipts from *Land Revenue* (including those credited to Productive Public Works) and from *Provincial Rates*, in the triennial period from 1880-81 to 1882-83, was 24,973,000 *l.*, and the average expenditure was 3,064,000 *l.* If, however, we make a calculation on the assumption that the patwari cess had not been abolished, and that no change had been made in the system under which patwaris and kanungoes used to be paid in Oudh, the average revenue during this period would be brought up to 25,053,000 *l.*, and the average expenditure would be reduced to 3,039,000 *l.* The percentage would then stand at 12·13, which is lower by ·14 per cent. than the figure-worked out in the *Despatch* under reply.

30. The

* This cause also very slightly affects the average of the triennial period from 1880-81 to 1882-83, as the cess was abolished in March 1882.

† This also slightly affects the percentage of the period from 1880-81 to 1881-82, as the reform in question was carried out in the course of the year 1882-83.

‡ This also slightly affects the percentage of the period from 1880-81 to 1882-83. The duties were abolished on 10th March 1882. The customs revenue was, therefore, largely reduced during the last three weeks of the financial year 1882-83.

30. The estimated amount of Land Revenue, including Provincial Rates, in 1883-84 is 25,026,000 *l.*, and the expenditure 3,263,000 *l.* If now we treat the revenue and expenditure of 1883-84 in the same manner as that in which we have treated the revenue and expenditure of the triennial period from 1880-81 to 1882-83, we arrive at the following results. The revenue would be raised by 241,000 *l.*, namely, from 25,026,000 *l.* to 25,267,000 *l.* The expenditure would be reduced by 75,000 *l.*, namely, from 3,263,000 *l.* to 3,188,000 *l.* The percentage, instead of being 13.03, would be 12.61. This is .03 in excess of the first triennial period, .32 below the second triennial period, .21 in excess of the third triennial period, and .48 in excess of the fourth triennial period. It is very probable that, when the accounts of the year 1883-84 come to be finally made out, the percentage will show more favourably. Some increase is, however, to be expected, for the following reasons: (1) That a portion of the cost of improving the position of the Subordinate Civil Service was debited to *Land Revenue*; (2) that the establishments of patwaris and kanungoes, both in the North-Western Provinces and in Oudh, had to be increased; and (3) that the *Allowances to District and Villages Officers* in Madras, which are paid from Local Funds, had been allowed to fall into arrear, and that the arrears are now being paid off (*see* Appendix II. to my Minute of 11th August, para. 41; enclosure to Despatch No. 234 of 24th August 1883).

31. The Despatch does not deal in detail with any of the other heads of account which appear under *Direct Demands on the Revenues*, with the single exception of *Forest*. In respect to this item, it is said (para. 13) that, "owing to the great increase of charge " under *Forest*, the net revenue from that source, 259,300 *l.*, set down in the Budget, is " very considerably less than in either of the two previous years." There has been an increase of expenditure under *Forest*, due to the reorganisation of the Department, especially in Madras, where the *Forest* administration had been for many years in a very unsatisfactory condition (*see* Report of the Famine Commissioners, Part II., page 178). There has also been a diminution of revenue, amounting to about 25,000 *l.* a year, due to the reduction of duty on the Salween river in Burma (*see* Financial Statement for 1882-83, para. 53). But it is to be remembered, in this instance especially, that a comparison has been instituted between the Budget Estimate of 1883-84 on the one hand, and the Revised Estimate of 1882-83 and the accounts of 1881-82 on the other hand. A more correct method of comparison would, I venture to think, be to compare the Budget Estimates of all the three years under review. If a comparison be made on this basis, we arrive at the following results. The Budget Estimate of 1881-82 showed a net revenue of 199,000 *l.*, being 60,300 *l.* below the figure for 1883-84. The Budget Estimate of 1882-83 showed a net revenue of 228,000 *l.*, being 31,300 *l.* below the figure for 1883-84. It is very possible that, owing to the increase of charge to which I have already alluded, the net revenue from *Forest* in 1883-84 will be somewhat less than in 1881-82 and in 1882-83, though I am by no means certain on this point. But, judging from the experience of the past, it may be said, with a reasonable degree of confidence, that the accounts of the current year will show a more satisfactory result than the Budget Estimate.

32. As regards the expenditure under *Post Office*, to which allusion is made in paragraph 14 of the Despatch under reply, it is pointed out in paragraph 22 of the Despatch, to which this Minute constitutes an Appendix, that the charges on account of *District Dakhs* are debited to *Post Office*, whilst the receipts which cover those charges are credited to *Provincial Rates*. These receipts amount to about 100,000 *l.* a year. It results, therefore, that in any calculation purporting to show the extent to which the *Post Office* is self-supporting, receipts to the extent of 100,000 *l.* should be added to the revenue or deducted from the expenditure side of the account.

33. Then again, in the estimate for 1883-84, a sum of 37,700 *l.* is included as *Payments to State Railways*. Nearly the whole of this amount comes back to Government in the form of receipts under *Railways*, the only real cost involved being the wear and tear consequent on the conveyance of the mails. The same may be said of an item of 600 *l.* entered under *Payments to the Northern Bengal State Railway for Tramway Service*. Further, there is a sum of 8,500 *l.* entered under *Railway hire for conveyance of Bunghy parcels*; a further sum of 2,000 *l.* entered under *Special train hire*, and a further sum of 1,200 *l.* entered under *Haulage of sorting carriages*, making a total of 11,700 *l.* under these three sub-heads of account. A good deal of this money goes to the Guaranteed Railways, and I am unable to say exactly how much comes back to Government in the form of receipts. But I certainly shall not be overstating the case if I say that about one-half, or, say, 6,000 *l.*, of the expenditure is only nominal.

34. If we add these items together, we arrive at the following results:—

	£.
Credited to Government under <i>Provincial Rates</i> -	100,000
Credited to Government under <i>Railways</i> (37,700 <i>l.</i> + 600 <i>l.</i>), say - - - - -	38,000
Credited to Government under <i>Guaranteed Railways</i> , about - - - - -	6,000
Total - - - £.	144,000

35. The

35. The real estimated cost of the Post Office to the taxpayers in 1883-84 is not, therefore, 212,000 *l.*, but (212,000 *l.* -- 144,000 *l.*) 68,000 *l.*

36. Even this, however, does not yet fully represent the true facts of the case. The amount credited in the Budget Estimate of 1883-84 to *Post Office* under *Service Stamps* is 155,400 *l.* It cannot be doubted that, if service letters were charged at the same rates as those charged to the public, the receipts on this account would be very much higher than those shown in the estimates. The charge made to the public for a letter not exceeding one tola in weight is one anna. The official rate is one anna for a letter not exceeding 10 tolas in weight. Of course, it makes no difference, so far as the general finances are concerned, what is the rate of postage charged on service letters, for what is received under Post Office is debited under some other head of account. But I wish to point out that the charge for conveying service letters is quite as much a legitimate burden on the general taxpayers as the salaries of the various officers who carry on the administration. The Post Office might, it appears to me, be, in the strictest sense of the word, termed "self-supporting," if it showed equilibrium, exclusive of whatever it receives and spends in the way of transmitting service letters. It is, however, of course, impossible to say what proportion of the expenditure of the Post Office is due to the performance of this duty.

37. Then again I wish to point out that the subsidy paid to the British India Steam Navigation Company, amounting to 72,500 *l.* a year, is by no means for postal purposes only. If the contract had been based on postal necessities alone, a very much lower charge would, no doubt, have been shown. But in point of fact other considerations wholly unconnected with the conveyance of the mails influenced the terms upon which the contract was made.

38. Again, I wish to point out that a charge of 11,000 *l.* has, since the commencement of the year 1882-83, been transferred from *Political* to *Post Office* on account of the postal charges of the Biluchistan Agency. This is a charge which may be said to be incurred for political reasons, and it is scarcely fair, in considering the departmental position of the Post Office, to take it into account.

39. I pointed out in Appendix II. to my Minute of 11th August, paragraph 79 (enclosure to Despatch No. 234 of 24th August 1883), that certain reductions of charge, estimated in 1883-84 to cost 31,000 *l.*, had recently been made in the rates charged to the public.

40. The general conclusions which may be arrived at from a consideration of these facts and figures are stated in paragraph 23 of the Despatch to which this Minute constitutes an Appendix.

41. I now turn to the cost of *Telegraphs*, and here I wish to observe that, if the capital expenditure be excluded, the Indian Telegraphs are already self-supporting, and indeed yield a considerable net revenue. The figures in the margin show the net result of the revenue and expenditure account proper since the year 1872-73. It will be seen that up to and including the year 1877-78 the expenditure of the Telegraph Department always exceeded its revenue. The net results of the years 1879-80 and 1880-81 are greatly, and those of 1878-79 and 1881-82 slightly, affected by the large receipts on account of service telegrams sent during the war. These receipts were, of course, only nominal, as a corresponding amount of expenditure occurred under *Army*. 1882-83 was a normal year, for, though possibly the receipts may have been to some extent swelled by service telegrams on

account of the Egyptian expedition, on the other hand, the expenditure was abnormally increased by a payment of 32,000 *l.* for stores in England, which belonged to the year 1881-82, not having been made until 1882-83. In 1882-83 the net revenue, according to the Revised Estimate, will be 27,000 *l.* In 1883-84 the net revenue is estimated at 75,000 *l.*

42. The considerations bearing on this question, if capital expenditure be included in the calculation, are stated in paragraph 25 of the Despatch to which this Minute constitutes an Appendix.

43. Paragraph 15 of the Despatch under reply deals with the charges in the group entitled *Civil Departments*, which is made up of the following heads:—

1. General Administration.
2. Law and Justice.
3. Police.
4. Marine.
5. Education.
6. Ecclesiastical.
7. Medical.
8. Political.
9. Scientific and other Minor Departments.

	Net revenue +	Net expenditure —	
000 s omitted.	£.1 = Rs. 10.		£.
1872-73	-	-	105
1873-74	-	-	70
1874-75	-	-	52
1875-76	-	-	57
1876-77	-	-	1
1877-78	-	-	35
1878-79	-	-	14
1879-80	-	-	106
1880-81	-	-	139
1881-82	-	-	36
1882-83 (Revised Estimate)	+	27	
1883-84 (Budget Estimate)	+	75	

44. In respect to these charges it is said that the "net cost of the Civil Departments" has, in 11 years, increased by 1,456,000 *l.*, or 17½ per cent, and in the last five years by 820,000 *l.*, or more than 9 per cent." The details of the increases shown in the Budget Estimate for 1883-84, by comparison respectively with the triennial groups from 1871-72 to 1873-74 and from 1877-78 to 1879-80, are then given.

45. As regards the charges under *General Administration*, I dwelt so fully on the causes of increase and decrease of expenditure under this head in Appendix II. to my Minute of 11th August 1883, paragraphs 103-149 (enclosure to Despatch No. 234 of 24th August 1883), that I need say very little on the subject now. I wish, however, to observe that the real increase from 1871-72 (Accounts) to 1883-84 (Budget Estimate) is only 175,000 *l.* (see second table in paragraph 104 of Appendix II. to my Minute of 11th August), or at the rate of about 15,000 *l.* a year. I cannot think that, under all the conditions of Government in India, an average growth of 15,000 *l.* a year under this head can be considered excessive, more especially when it is remembered that certain charges in England, which prior to 1882-83 appeared under *Stationery and Printing*, now appear under *General Administration* (see paragraph 149 of Appendix II. to Minute of 11th August).

46. As regards the increase under the sub-head of *Tour expenses of the Government of India* in 1882-83, to which specific allusion is made in paragraph 16 of the Despatch under reply, I wish to observe that the increase of 15,000 *l.* in 1882-83 over 1881-82 is only nominal, and is due to the Government of India having moved to Simla before the close of the financial year 1882-83. The estimated expenditure in 1883-84 under this head is 17,000 *l.* less than the estimated expenditure of 1882-83.

47. As regards the increase in the sub-head entitled *Allowances to the Presidency Banks*, to which allusion is also made in paragraph 16 of the Despatch under reply, I have to observe that, so long as the Government continues to borrow annually for Productive Public Works, this charge must also steadily increase. It would also have increased in direct proportion to the increase in Savings Banks deposits, but that we have recently come to an arrangement with the Presidency Banks under which they will receive a fixed annual payment in place of the percentage on deposits hitherto allowed them.

48. Turning to *Law and Justice*, it is said that (paragraph 17), "owing to the omission of the charges on account of Provincial Services from the head of *Law and Justice* in former years, no fair comparison can be made from an earlier date than 1876-77, since which year there has been an increase of 216,000 *l.*, of which about 48,000 *l.* appears to be due to the transfer of the departmental refunds." I am unable to follow this figure. The gross expenditure under *Law and Justice* in 1876-77 was 3,131,000 *l.*, the receipts amounted to 609,000 *l.*, and the refunds to 43,000 *l.* The net expenditure, therefore, amounted to (3,131,000 *l.* - 566,000 *l.*) 2,565,000 *l.*, which is only 137,000 *l.* less than the estimated expenditure of 1883-84.

49. In dealing with this item the erroneous conclusions to be drawn from comparing estimates with actuals are specially apparent. The expenditure under *Law and Justice* depends very largely upon the cost of maintaining prisoners in the jails, which again depends on the price of food. In framing a Budget Estimate it is not thought prudent to rely on low prices. This fact, to which allusion is made in the 17th paragraph of the Despatch under reply, coupled with the further fact that the receipts under *Law and Justice* have been taken low in order to provide for any possible falling-off by reason of the recent resolution dealing with jail manufactures, mainly accounts for the high estimate of 1883-84. There has, however, been a real increase in 1883-84 of about 10,000 *l.*, owing to the revision of the establishment of Munsiffs in Bengal. If we look at the Revised Estimate of 1882-83, it would not appear that there has been of late years any very remarkable increase of expenditure under this head. The estimated net expenditure of 1882-83 is 2,611,000 *l.*, which is only 46,000 *l.* in excess of the actual expenditure of 1876-77 (2,565,000 *l.*), 78,000 *l.* less than the expenditure of 1878-79 (2,689,000 *l.*); and 51,000 *l.* less than the expenditure of 1879-80 (2,662,000 *l.*) (see table in paragraph 150 of Appendix II. to my Minute of 11th August).

50. Some increase of expenditure under this head must be expected as the population grows and the work of the law courts increases; but, as I have pointed out in Appendix II. to my Minute of 11th August (paragraph 150-165), if the receipts from Court Fees, which are credited under *Stamps*, are brought to account, the net cost to the country of administering Law and Justice shows a steady tendency to diminish.

51. Turning to the head of *Police*, it is observed (paragraph 18) that no comparison from an earlier date than 1878-79 can be made. I wish, however, to observe that of the increase of 820,000 *l.* during the last five years, of which mention is made in paragraph 15 of the Despatch under reply, no less than 247,000 *l.* is under the head of *Police*. I have pointed out in Appendix II. to my Minute of 11th August (paragraph 169) that since 1880-81 there has been some real but very legitimate increase of expenditure under this head. By far the greater part of the increase is, however, due to the fact, to which allusion was made in paragraph 66 of the Financial Statement for 1882-83, that, under the terms of the Government Resolution of 30th September 1881, the Provincial Governments have taken over from municipalities the charge on account of *Police*, and have handed over to them

them other items of charge heretofore borne by Provincial revenues. In those cases where the amounts transferred to municipalities are equal to the charges taken over by the Provincial Governments, the increases, of course, are only nominal. But where, as in Bengal, the Provincial Government has taken over charges in excess of those which they have handed over, there has, of course, been a real increase of Police expenditure, which, however, has been incurred for a very legitimate object, namely, to place funds at the disposal of municipalities for education, sanitation, &c.

52. As regards the increase under *Education*, to which allusion is made in paragraph 19 of the Despatch under reply, I beg to refer to the remarks contained in Appendix II. to my Minute of 11th August (paragraphs 173—177).

53. Passing over the heads of *Marine, Ecclesiastical, Medical, and Political*, about which no special remarks are made, but which are fully treated in Appendix II. to my Minute of 11th August (paragraphs 171, 172, 178—189), I come to the head of *Scientific and other Minor Departments*. It is pointed out that under this head there has been a reduction in the expenditure under *Surveys*. There was, indeed, an apparent reduction under this head in the years 1878-79, 1879-80, and 1880-81, and the real expenditure of 1880-81 was abnormally low. But the decrease in these years was mainly nominal, and is due to the fact that Survey charges, amounting respectively to 6,000 *l.*, 8,000 *l.*, and 9,000 *l.*, were treated as war expenditure, the officers having been employed in Afghanistan (see paragraph 193 of Appendix II. to my Minute of 11th August). The estimated charge in 1883-84 under *Survey of India* is 145,000 *l.*, as compared with 135,000 *l.* in 1881-82, and 135,000 *l.* in 1882-83 (Revised Estimate). It is, however, very possible that the real expenditure of 1883-84 will be less than the Budget Estimate.

54. Comments are made (paragraph 20) upon the high charges for the work of the Census, especially in Bengal. It is very probable that the Census of 1881-82 was more thoroughly carried out than that of 1871-72. At the same time I think the charges were very high, especially in Bengal. We have been in communication with the Lieutenant Governor of Bengal on this subject. Apart, however, from the Census charges, and making some allowance for the fact that the Budget Estimate of 1883-84 is being compared with the actuals of previous years, there can be no doubt that there has been a real increase of expenditure under *Scientific and other Minor Departments*. The estimated net expenditure in 1883-84 under this head amounts to 426,000 *l.*, as against an average of 312,000 *l.* in the 10 years ending with 1880-81. Some of this is only temporary, as, for instance, the grants made under *Gazetteer and Statistical Memoirs* and *Archæological Department*. The expenditure under *Immigration*, which occurs mainly in Burma, is also experimental, and will very probably not recur in future years. But the main increase under this head is due to the creation of Provincial Agricultural Departments and other reforms undertaken in connection with the recommendations of the Famine Commissioners. In fact, most of the real increase of expenditure during the last three years may be traced to the endeavours which have been made to carry out the recommendations of the Famine Commission (see paragraphs 61-62 of my Minute of 11th August 1883).

55. Paragraph 21 of the Despatch under reply deals with the group entitled *Miscellaneous Civil Charges omitting Superannuations*. It does not, however, make any special remarks on this subject. I will, therefore, only say that full explanations as regards all the details will be found in Appendix II. to my Minute of 11th August, (paragraphs 211—245).

56. Paragraph 22 of the Despatch under reply deals with the group entitled *Public Works not classed as Productive (omitting Subsidized and Frontier Railways)*, which is divided into the following heads:—

- (1.) State Railways, Capital Account.
- (2.) State Railways, Working and Maintenance.
- (3.) Irrigation and Navigation.
- (4.) Military Works.
- (5.) Civil Buildings, Roads, &c.

57. It is pointed out that the total expenditure under this group since 1871-72 has been as follows:—

	£.
Average 1871-72 to 1873-74	4,432,000
„ 1874-75 to 1876-77	5,143,000
„ 1877-78 to 1879-80	4,304,000
„ 1880-81 to 1882-83	5,313,000
Budget Estimate, 1883-84	5,949,000

58. In connection with this subject I beg to refer to the remarks contained in paragraph 28 of the Despatch to which this Minute constitutes an Appendix. I proceed to examine the question of whether the recent expenditure from the Provincial and Local balances has led to an increase of the establishments of the Public Works Department.

CORRESPONDENCE RELATING TO

59. There are, of course, no separate establishments engaged on *Public Works* not classed as *Productive*. The only broad lines of distinction which can be drawn are—

- (a) Establishments engaged on Railways;
(b) Establishments engaged on other Public Works.

In some provinces a distinction can be drawn under (b) between—

- (1) Establishments engaged on Irrigation.
(2) Establishments engaged on Civil Buildings and Roads.

60. As regards Railways, the following table enables a comparison to be made between the Provincial expenditure under 42—*State Railways (Capital Account)*, in 1880-81 and 1883-84 :—

Years.	Works.	Establishment.	Total.	Remarks.
	£.	£.	£.	
1880-81 (a) - - -	12,512	7,855	20,367	(a) (Accounts).
1883-84 (b) - - -	384,881	38,048	422,930	(b) (Budget Estimate.)

61. It will be seen that, although the expenditure on works has increased by no less than 372,369 *l.*, the expenditure on establishments has only increased by 30,193 *l.* It is, in fact, certain that the increased outlay under *State Railways* is unaccompanied by any increase in the permanent scale of the Engineer and Upper Subordinate Establishments, which have not been increased during the last four years, as the following figures will show :—

	Sanctioned Number.*	Actual Number on Railway List.
Engineers - - - - -	213	211
Upper Subordinate Establishment - -	140	111

62. The extra outlay on State Railways has been met by the temporary transfer of engineers from other lists, by the entertainment of temporary engineers, who can be discharged at one month's notice, and by temporary additions to inferior establishments. The entertainment of temporary establishments does not, of course, involve any responsibility on the State beyond the monthly pay of the salaries of the men so long as they are retained.

63. Turning now to the question of establishments engaged on works other than Railways, the following table shows the facts of the case since 1874-75. It is probably not necessary to go back any further than this :—

Year.	Total Cost.	Cost of Establishment.	Remarks.
	£.	£.	
1874-75 - - - - -	4,089,000 (a)	1,547,048	(a) Average of three years.
1875-76 - - - - -		1,580,236	
1876-77 - - - - -		1,571,733	
1877-78 - - - - -	4,049,000 (a)	1,651,700	.
1878-79 - - - - -		1,584,835	
1879-80 - - - - -		1,497,273	
1880-81 - - - - -	5,050,000 (a)	1,277,401	(b) Revised Estimate.
1881-82 - - - - -		1,334,436	
1882-83 (b) - - - - -		1,464,547	
1883-84 (c) - - - - -	5,446,000	1,464,983	(c) Budget Estimate.

64. It

* This number was sanctioned in 1880-81, and is less than the sanction of the preceding year.

64. It will be seen from this table that from 1875-76 to 1880-81 there was a gradual reduction of expenditure on establishments amounting to 302,835 l., and that between 1880-81 and 1883-84 (Budget Estimate) there is an increase of 187,582 l. The decrease down to 1880-81 was, of course, mainly due to the large reductions of establishments effected in 1879-80. The increase since 1880-81 is partly due to additional establishments of the lower classes engaged for newly-completed Productive Public Works, and partly to new temporary establishments taken on to supplement the permanent establishments in carrying out additional works. I proceed to examine the causes of increase in greater detail.

65. The increases have taken place in the following Provinces:—

	£.		Increase.
	1880-81	1883-84	£.
North-Western Provinces and Oudh	230,089	276,004	45,915
Punjab*	187,890	224,959	37,069
Madras	149,385	217,539	68,154
Burma	41,730	82,740	41,010

66. The increase in the North-Western Provinces and Oudh is distributed as follows:—

	£.
Building and Roads Branch	13,925
Irrigation Branch	31,990
TOTAL	45,915

67. Before proceeding to examine the details of this question any further, it should be distinctly stated that no increased expenditure can be due to an increase in the number of permanent Engineers and Upper Subordinate establishments for the whole of India. The Government of India exercises complete control over these establishments, and they cannot possibly be increased without its sanction. The total sanctioned numbers since 1879 for each class are as follows:—

	Engineers.	Upper Subordinates.
1879-80	899	1,036
1880-81 to 1883-84	954†	1,059

68. The actual number of men charged in the accounts of the Public Works Department from year to year depends on the number of recruits which enter the Department, and also on the variations in the number of men on deputation, that is to say, on foreign service, with local committees, Native States, and private companies. The actuals for 1879-80 and 1883-84 compare as follows:—

	Engineers.	Upper Subordinates.
1879-80	970	1,112
1883-84	981	998

69. It

* The increase in the Punjab commenced from the year 1881-82. In the other provinces it commenced from 1880-81.

† I ought to observe that immediately after the reductions in 1880 a slight increase of establishment took place, as it was found that the reductions had been carried too far. In 1879-80 the sanctioned numbers were as stated above, namely, 899 Engineers and 1,036 Upper Subordinate Establishment. In 1880-81 the figures stood thus: 954 Engineers and 1,053 Upper Subordinate Establishment. The number of Engineers has remained unchanged since 1880-81. The numbers of the Upper Subordinate Establishment were increased in 1881-82 by six, namely, from 1,053 to 1,059, at which figure they have remained ever since.

CORRESPONDENCE RELATING TO

69. It results, therefore, that any increase of expenditure which may be shown must be due either to the establishments on particular lists being increased by transfers from other lists, or to an increase of establishment within the total sanctioned scale, or to the inclusion of temporary establishments. None of these causes of increase are sufficient to justify any apprehensions.

70. Turning now to the details of the increase of establishment in the *Building and Roads Branch* of the North-Western Provinces and Oudh (see para. 66), it is to be observed that the principal items in which increases have occurred are as follows:—

	£.
(1) Chief and Superintending Engineers and Officers	3,516
(2) Engineers and Upper Subordinates - - - -	6,366
(3) Lower Subordinates - - - - -	954
(4) District Engineers - - - - -	3,120
(5) Accounts - - - - -	1,512
(6) Collection of Revenue (Ferry Establishment) -	578
TOTAL - - £.	16,046*

71. The first of these items (3,516 l.) is due to the appointment in 1882 of a Superintendent of Works as Superintending Engineer, with office establishment, &c., in the 3rd Circle, and also, probably, in some degree to increases in the Chief Engineer's office. The increase under item 2 (6,366 l.) is certainly not due to any increase in the permanent establishments, as the numbers for which provision is made in the estimates are within the sanctioned scale. It is probably due partly to the tendency to over-estimate, and partly to the increased numbers in the higher grades, both of which causes are more fully referred to in paragraph 75 in explaining the corresponding excess which has taken place in the Irrigation Branch of the North-Western Provinces and Oudh establishment.

72. Items 3 (954 l.) and 4 (3,120 l.) are wholly, and item 5 (1,512 l.) is partly, due to the separation of Local from Provincial Works under the Local Self-Government policy, in consequence of which the number of lower subordinates has been increased, and a special Account Establishment, for the audit of local accounts in the Examiner's office, has been entertained, and nine temporary District Engineers have been appointed. When the arrangements are completed, this outlay will disappear as Public Works expenditure, and become outlay under Local Committees. In any case, these items do not add to the permanent obligations of Government, and are in the lower class of establishments.

73. Turning now to the increase under *Irrigation Branch* in the North-Western Provinces and Oudh (see para. 66), the following statement shows the main items where an increase occurs:—

	£.
(1) Superintending Engineers and their offices - -	3,655
(2) Engineers - - - - -	9,389
(3) Upper Subordinates - - - - -	1,527
(4) Lower Subordinates - - - - -	2,766
(5) Office Establishment of Executive Engineers -	3,777
(6) Medical - - - - -	399
(7) Travelling Allowances and Contingencies - -	2,038
(8) Collection of Revenue and Conservancy - -	10,215
TOTAL - - £.	33,766†

74. Item 1 (3,655 l.) is due, in the first place, to a third Superintending Engineer, with office establishment, &c., having been sanctioned since 1879-80, the reductions then effected having been found to be excessive. In the second place, it is due to the appointment of a Superintendent of Works to take charge of the construction of the Betwa Canal (a Famine Protective Work).

75. The increase under item 2 (9,389 l.) is large, but the establishment is within the sanctioned scale. In this, as in all other cases of increase under Engineer establishments, the

* The difference between this figure and the figure of 13,925 l. given in paragraph 67 is accounted for in the following way:—(1) That there is a decrease of 520 l. for Office under the minor head of *Construction*; and (2) that there is an inter-departmental adjustment which brings down the increase by 2,383 l.

† The difference (1,775 l.) between this figure and that given in paragraph 66, namely, 31,990 l., is due to some small reductions of expenditure under other sub-heads. I need, however, only deal with the items of increase, leaving those where there has been a diminution of expenditure out of account.

the extra expenditure is partly, no doubt, due to the numbers in the higher grades having been increased in 1880 to give better promotion. If a fair flow of promotion is to be given to the Engineer establishment, this is a charge which in future years will be a heavy item in the increased cost of establishment. The increase, however, as shown above, is probably greater than the reality, and is in a great degree due to the tendency to over-estimate in the Budget by estimating for the full scale and making insufficient reductions for absentees.

76. The increase under items 3 (1,527 L.), 4 (2,766 L.), and 6 (399 L.), is wholly, and that under items 5 (3,777 L.) and 7 (2,038 L.) is partly, due to temporary establishments having been engaged for the Betwa Canal. These establishments are only engaged for the job, and are not pensionable.

77. The increase under item 8 (10,215 L.) is due to an increase of revenue and to the increase of irrigation on the Lower Ganges Canal, which has been developing during the last three years.

78. Turning to the case of Madras, the increase of 68,154 L., to which allusion is made in para. 66, is mainly made up of the following items:—

	£.
(1) Chief Engineer's Office and Establishment - - -	1,511
(2) Superintending Engineers - - -	3,185
(3) Executive and Assistant Engineers - - -	24,405
(4) Upper Subordinate Establishment - - -	13,451
(5) Petty Establishments - - -	2,747
(6) Office (under Construction Establishment) - - -	8,881
(7) Local Allowances - - -	2,785
(8) Travelling Allowances and Contingencies - - -	5,727
(9) Accounts - - -	2,292
(10) Temporary - - -	18,642
TOTAL - - - £.	83,626*

79. The entries under items 2 and 3 are, without doubt, excessive, and are exaggerated by the practice in Madras of making provision in the Budget for the full sanctioned scale of establishments, and then making an adjusting entry as a deduction for absentees. The establishment for which provision is made in the Budget for these heads is up to, but not in excess of, the sanctioned scale. The actual expenditure will, without doubt, be less than the Budget Estimate.

80. Under item 4, the number of Upper Subordinates for which provision is made in the Budget is 200 against a sanctioned scale of 185. There has been a long correspondence about the increase in this establishment. The Government of Madras has been directed to entertain no new permanent men until the establishment is reduced to the sanctioned scale. The estimate is without doubt in excess of what the actual expenditure will be.

81. We do not possess any information which would give explanations as regards the increases under items 5 to 9, as they are matters which are wholly under the control of the Local Government.

82. The increase under item 10 (18,642 L.) is due to temporary establishments entertained, with the sanction of the Government of India, for restoration of tank works.

83. Of the increase in the Punjab, amounting to 37,069 L. (see para. 66), the greater portion (30,212 L.) is in the Irrigation Branch, and is made up of the following items:—

	£.
(1) Superintendent of Works and Office Establishment - - -	2,214
(2) Engineer and Upper Subordinate Establishments - - -	6,318
(3) Lower Subordinate Establishment - - -	825
(4) Petty Establishments - - -	6,279
(5) Travelling Allowances and Contingencies - - -	6,471
(6) Accounts - - -	2,380
(7) Collection of Revenue - - -	4,071
TOTAL - - - £.	28,558

84. The

* The difference (15,472 L.) between this figure and that given in paragraph 66, namely, 68,154 L., is due to a decrease of charge under other heads.

84. The increase under item 1 (2,214 *l.*) is due to the appointment of a Superintendent of Works to act as Superintending Engineer to one of the four circles. As in the case of the North-Western Provinces, it was found that the reductions of 1879-80 were excessive.

85. The increase under item 4 (6,279 *l.*) is large, but is probably due to the classification of charge in the Budget of 1883-84 being different to that in the accounts of 1881-82.

86. The increase under item 7 (4,071 *l.*) is due to an increase of revenue.

87. The cost of the establishment in Burma (*see* para. 65), which was 41,730 *l.* in 1880-81, and 60,381 *l.* in 1881-82, is estimated at 82,740 *l.* in 1883-84. Thus there is an increase of 50 per cent. in 1881-82 as compared with 1880-81, and of 100 per cent. in 1883-84 as compared with the same year. The increase in 1883-84 is made up of the following items:—

(1) Chief and Superintending Engineer	- - - -	£.
(2) Engineers and Upper Subordinates	- - - -	2,462
(3) Lower Subordinates	- - - -	20,337
(4) Office and Petty Establishments	- - - -	2,520
(5) Local and Travelling Allowances and Contingencies	- - - -	5,035
(6) Accounts	- - - -	12,548
		1,950
TOTAL, neglecting adjustments		£. 44,852

88. The increase under *Chief and Superintending Engineers* is 2,462 *l.* Of this 2,000 *l.* is due to the sanction given in January 1881 for an additional Superintending Engineer. The balance is probably due to an over-estimate.

89. The increase in the *Construction Establishment* [items (2), (3), (4), and (5)], amounting to 16,752 *l.* in 1881-82 and 40,440 *l.* in 1883-84, is due to a large increase in establishments caused by a great extension of public works. The Engineers and Upper Subordinate Establishments have been obtained without increasing the total sanction for India by transferring men from the lists of other local administrations, and the lower classes of establishments have consequently increased in the same proportion.

90. The following table compares the actual establishment in Burma of 1880-81 with that of the Budget of 1883-84 under these two heads:—

	Engineers.	Upper Subordinates.
1880-81	30	20
1883-84	46	55

91. It is probable that the whole of this establishment will not be present during the year, and that the Burma estimate on account of Engineers and Upper Subordinates might be reduced by about 3,300 *l.* Still, there can be no doubt that in this province establishments have been largely increased in order to meet the expansion of the Public Works expenditure provided out of the Provincial balance. This subject has already attracted the attention of the Government in connection with the reduction of expenditure which must ensue next year upon the reduction of the Provincial balance. There can be no doubt that the Engineers and Upper Subordinate Establishments can be utilised on railways and new irrigation works elsewhere when they are not required in Burma. The excess Account Establishments can be similarly utilised. There will, however, probably be a large reduction in the Lower Subordinate, Petty, and Office Establishments, which may necessitate some expenditure in the shape of compensation.

92. The general conclusions to be derived from a consideration of these facts and figures are stated in para. 29 of the Despatch to which this Minute constitutes an Appendix.

93. I now beg to refer to the remarks contained in para. 42 of the Despatch to which this Minute constitutes an Appendix. I proceed to inquire in detail into the question of the liabilities in respect to Public Works which have been taken by the several Local Governments.

94. Turning,

94. Turning, first, to the expenditure under 42, *State Railways (Capital Account)*, it is to be observed that the amount expended and provided for outlay from Provincial Funds under this head since 1880-81 is as follows:—

	£.
1880-81 - - - - -	20,367
1881-82 - - - - -	126,255
1882-83 (Revised Estimate) - - - - -	377,874
1882-84 (Budget Estimate) - - - - -	422,930

95. The whole of the outlay for which provision is made in 1883-84 is in Bengal and the North-Western Provinces and Oudh. In Bengal provision is made for outlay on the construction of the following railways:—

	£.
Sonapore-Diamond Harbour - - - - -	5,300
Parbattipore-Dinagapore - - - - -	46,400
Sultanpore-Bogra - - - - -	18,700
Kaunia-Dhurla - - - - -	7,860
TOTAL - - - - £.	78,260

96. The Sultanpore-Bogra line is not yet sanctioned. The Sonapore-Diamond Harbour Railway is now open throughout its length, and the Parbattipore-Dinagapore Branch will be opened at an early date. Both these railways will be completed this year. The outlay on the Kaunia-Dhurla Railway is chiefly for additional rolling stock. No portion of the outlay given above is recurring outlay, and further expenditure of the above nature can be entirely suspended if necessary. The balance of the outlay provided for in Bengal (about 19,000 l.) is chiefly for surveys and a reserve to meet additional survey charges. Possibly, 15,000 l. may be looked upon as being the normal outlay in Bengal under this head, and 82,500 l. as special, which can be at once curtailed.

97. The total sum provided in the North-Western Provinces and Oudh is 325,550 l. Of this the following is provided for construction:—

	£.
Furrackabad-Hathras (Cawnpore-Furrackabad Extension) - - - - -	288,000
Jumna Bridge - - - - -	11,100
Kashgange-Soron - - - - -	22,950
TOTAL - - - - £.	322,050

98. The unspent balance of the estimates of these railways at the close of this year will be about 60,000 l. The balance of the grant (3,500 l.) is for outlay on surveys. On the whole, it is not probable that the normal outlay, after the year 1884-85, under this head in the North-Western Provinces will exceed 10,000 l.

99. Out of the total sum provided for Non-Productive Railways out of Provincial funds (422,930 l.), the normal outlay may be placed at 25,000 l., and consequently the grant for this year may be said to be about 400,000 l. above the normal. A reduction of about 340,000 l. can be made next year, and this may be increased, if necessary, to 400,000 l. in 1885-86.

100. The following amounts have been provided out of Provincial Funds for outlay on *Subsidized Railways*:—

	£.
1882-83 (Revised Estimate) - - - - -	500
1883-84 (Budget Estimate) - - - - -	16,300

101. These amounts are to provide land for the Tarkessar Railway and land and interest for the Rohilkhund and Kumaon Railway and the Nilgiri Railway. The greater portion of the charge under this head is not recurring.

102. Turning to *Civil Buildings, Roads and Services*, it is to be observed that the total outlay under this head from Provincial Funds is as under:—

	£.
1880-81 - - - - -	1,744,248
1881-82 - - - - -	2,139,304
1882-83 (Budget Estimate) - - - - -	2,265,900
1883-84 (Budget Estimate) - - - - -	2,057,600

CORRESPONDENCE RELATING TO

103. The outlay for which provision is made in the estimate for 1883-84 is thus classified:—

Original Works - - - - -	£.
Repairs - - - - -	831,700
Establishment - - - - -	655,100
Tools and Plant, &c. - - - - -	487,300
Civil Officers - - - - -	30,900
	52,600
TOTAL - - - £.	2,057,600

104. The Original Works outlay is thus sub-divided:—

Civil Buildings - - - - -	£.
Communications - - - - -	404,300
Miscellaneous Public Improvements - - - - -	385,400
	42,000
TOTAL - - - £.	831,700

105. The outlay on Original Works Civil Buildings is thus classified:—

	Number of Items.	Amount.
		£.
Administration - - - - -	103	140,000
Minor Departments - - - - -	19	9,500
Law and Justice - - - - -	64	50,800
Ecclesiastical - - - - -	7	2,600
Jails - - - - -	85	80,300
Police - - - - -	56	28,800
Educational - - - - -	10	11,300
Medical - - - - -	14	11,600
Registration - - - - -	2	1,500
Miscellaneous - - - - -	21	25,000
Public Works Department - - - - -	2	1,300
Postal - - - - -	1	900
Telegraph - - - - -	3	1,000
Minor Works - - - - -	-	39,700
TOTAL - - -	387	404,300

106. This outlay may be said to be incurred to supply the wants of the several Departments concerned. It is generally final, and leaves no liability behind it. Considerable progress has been made since the Provincial system was started in supplying the much-needed accommodation demanded by the several Departments, and there is no doubt that, even if the funds were available, the outlay under these heads on Original Works would at an early date show a considerable reduction.

107. The Provincial Governments could reduce their outlay on Civil Buildings without any hardship to a nominal sum. This outlay could be limited without waste next year to the amount actually needed to complete works in progress at the end of this year. It is impossible to say what this amount may be, but possibly an assignment of 50,000 *l.*, or at the outside 100,000 *l.*, next year would be sufficient to guard against any waste or loss on this account. The outlay on Communications and Miscellaneous Public Improvements could doubtless be curtailed, if necessary, next year or in future years, without waste or hardship, to a nominal sum. It will, however, clearly not be good policy to reduce outlay on Communications if this can be avoided, as there is a universal cry throughout the country for more roads, and it is undoubtedly the case that, the more roads that are made in the vicinity of railways, the larger the railway revenue will become. But still if the need arises, the outlay under Communications could be reduced by 200,000 *l.*, or even more, and the outlay on Miscellaneous Public Improvements could be reduced or practically suspended altogether.

108. The

108. The outlay on Repairs is thus classified:—

	£.
Civil Buildings - - - - -	164,800
Communications - - - - -	475,900
Miscellaneous Public Improvements - - - - -	14,400
TOTAL - - - £.	655,100

109. It will not be good policy to enforce much reduction under this head, but it is possible that the outlay in recent years on permanent Civil Buildings may reduce the outlay on Repairs. The reduction in the outlay on Repairs to Communications to any extent would probably lead to much greater outlay hereafter, and no saving should be looked for under this head.

110. Turning to *Irrigation and Navigation*, the outlay provided and incurred from Provincial Funds under this head during the last four years has been as under:—

	£.
1880-81 - - - - -	262,600
1881-82 - - - - -	359,700
1882-83 (Budget Estimate) - - - - -	442,300
1883-84 (Budget Estimate) - - - - -	302,700

111. The outlay in Burma during 1883-84 is estimated at 85,800 *l.* This outlay is all practically being incurred on improving inland navigation and the construction and maintenance of embankments. Should the necessity arise, the outlay could probably be reduced to 40,000 *l.* without waste or hardship.

112. The outlay in Bengal in 1883-84 is estimated at 160,000 *l.* Of this, 74,800 *l.* is to be expended on the Orissa Coast Canal. A further grant of 55,000 *l.* next year will complete this project, after which outlay will only be needed for maintenance; the maintenance outlay will probably be covered by the revenue. Compared with this year, a saving of 20,000 *l.* can be effected next year, and about 75,000 *l.* annually in subsequent years.

113. About 20,000 *l.* is being expended this year on the improvement of the Eastern and Circular Canals, against 60,000 *l.* in 1882-83. This outlay will probably soon cease. About 60,000 *l.* is intended to be expended in the working and maintenance of the provincial canals, which are estimated to yield a revenue of 78,000 *l.*

114. In the North-Western Provinces and Oudh the estimated expenditure in 1883-84 is 20,000 *l.* £. 2,700 is intended to be expended on surveys, 3,000 *l.* on additions to the Rohilkhund Canals, which are nearly completed, 600 *l.* on drainage works, and 14,600 *l.* on the Revenue Account of Provincial Canals, which yield a revenue of 11,800 *l.*

115. The Madras figures are as follows:—

	£.
Capital Account - - - - -	23,450
Revenue Account - - - - -	11,550
TOTAL - - - £.	35,000

116. The capital outlay is on the Madras water-supply project, which is nearly completed, and on the Buckingham Canal, which has recently been approved of by the Government of India. The Madras outlay may be called normal, and does not call for notice.

117. The general conclusions which may be drawn from a consideration of these facts and figures are stated in para. 43 of the Despatch to which this Minute constitutes an Appendix.

Evelyn Baring.

No. 6.

The Governor General in Council to the Secretary of State for India,
24 August 1883, No. 234.

My Lord,

We have the honour to enclose a Minute by our honourable colleague, Sir Evelyn Baring, with enclosures, on the subject of the alleged increase in expenditure in the years 1881-82 to 1883-84, both inclusive. The greater part of this Minute was compiled prior to the receipt of your Lordship's Despatch, No. 183 (Financial) of 28th June 1883. We address your Lordship separately in answer to that Despatch.

We have, &c.

Ripon.
D. M. Stewart.
E. Baring.
T. F. Wilson.
C. P. Ilbert.
S. C. Bayley.
T. C. Hope.

Enclosure 1, in No. 6.

MINUTE by the Honourable Sir *Evelyn Baring*, K.C.S.I., 11 August 1883.

1. IN the debate which took place in the House of Commons on 8th May 1883, Mr. Stanhope undertook to "prove conclusively that the present *Hansard*, Vol. cclxix, page 264. "Viceroy of India was very much the most extravagant of all those who had held the office." Mr. Stanhope then adduced certain facts and figures from which he argued that "a large increase of expenditure was abundantly made out."

2. I think I shall be able to show that there is no foundation for Mr. Stanhope's charge of extravagance. One preliminary observation I should wish to make. I certainly should not have initiated any comparison in matters of this sort between the administration of the present and of previous Governments. I only deal with the question because it has been forced upon me.

3. The figures on which Mr. Stanhope based his charge of extravagance are taken from a Return (No. 139) presented to Parliament on 24th April 1883, and entitled "Statement showing the net Revenue and Expenditure of India for the Year 1881-82, and as estimated for 1882-83 and 1883-84 (in continuation of Parliamentary Paper, No. 214, of Session 1882)." There is scarcely a figure which appears either on the revenue or expenditure side of the Indian Accounts which can be treated without reference to some other figure. Under nearly every head there are receipts as well as expenditure; although a few heads, such, for instance, as *General Administration* and *Ecclesiastical*, appear only once on the expenditure side of the account. In respect to the others, some are expenditure heads; that is to say, the expenditure is greater than the revenue, and others are revenue heads; that is to say, the revenue is greater than the expenditure. The Return from which Mr. Stanhope took his figures is compiled on the principle of shewing the revenue heads separately from the expenditure heads. The system which Mr. Stanhope adopted was to neglect the revenue heads altogether and to deal only with the expenditure heads. Mr. Stanhope did not, however, take the whole of the expenditure heads into account. He deducted the following items:—(1) Famine, (2) Exchange, (3) Afghan and Egyptian Wars, (4) Frontier Railways, (5) Expenditure on Productive Public Works (Revenue Account). He also left out of account the adjusting entries entitled *Provincial and Local Surplus and Deficits*. He then went on to say that "the ordinary expenditure arrived at in this way for the 10 years up to 1880-81 averaged 36,500,000 l.; in 1881-82 it amounted to a little over 39,000,000 l.; and this year, 1883-84, it was estimated at 39,500,000 l., showing an increase of ordinary expenditure of no less than 3,000,000 l. sterling."

4. I may remark that the two figures, viz., 36,500,000 l. and 39,500,000 l., are conventional sterling, *i. e.*, 1 l. = 10 rupees. The difference would not, therefore, be "3,000,000 l. sterling," but three crores of rupees, equal, at the estimated rate of exchange for the year (1 s. 7½ d.), to 2,437,000 l. true sterling.

5. I append

5. I append to this Minute (Appendix I.) a Memorandum written by Mr. Barbour, the Secretary in the Financial Department, in which he deals more especially with one particular fallacy in Mr. Stanhope's method of comparison. This fallacy is of itself quite sufficient to invalidate the whole of his criticisms. Mr. Barbour has dealt so fully with this particular point that I need only allude to it very briefly. The facts are as follows:— Two of the years (1881-82 and 1882-83) during which Mr. Stanhope says there has been a great increase of expenditure, were years of remarkable prosperity. As regards 1883-84 it was, of course, impossible to say, when Mr. Stanhope spoke on 8th May 1883, whether the year would be prosperous or the reverse. On the other hand, during the 10 years ending with 1880-81, upon which Mr. Stanhope's average is based, there were two famines, namely, those in 1873-74 and in 1876-77 to 1878-79, and there was also one war of first-rate dimensions. During the periods of war and famine, expenditure of all sorts was cut down as low as possible. Indeed, during the Afghan War a sum of 670,000 £. was taken by the Imperial Government from the Provincial Governments in order to help towards paying the expenses of the war. This money was given back to the Provincial Governments in 1881, and I may say that there is no act with which I have been connected since I have been in India to which I look back with greater pleasure than the repayment of this money. If it had not been repaid, a fatal blow would have been struck at the Provincial system of finance. Yet the fact that this money, which belonged to the Provincial Governments, was repaid to them, and that they were thus allowed to spend their own savings on works of public utility, is one of the facts upon which Mr. Stanhope bases his charge of extravagance.

6. The result of the check that was given to Provincial and Local expenditure during the war was that large balances accumulated. When the pressure of the war was withdrawn, the Government of India was very fortunately in a position to allow the Provincial Governments and Local bodies to spend the money which belonged to them. Hence an apparent increase of expenditure; but this increase, so far from being a matter for regret, is a matter for congratulation. I cannot do better than describe Mr. Stanhope's system in the words used by Mr. Barbour (*see Appendix I.*) "It is misleading," Mr. Barbour says, "to compare the expenditure in years of great material prosperity with that of years in which all expenditure that could be reduced, postponed, or dispensed with, was summarily curtailed by the express orders of the Government of India. Those who make this comparison the basis of a charge of extravagance appear to think that the Government of India need only engage in a costly war, curtail all expenditure, Imperial, Provincial, and Local, in order to find the means of carrying it on, and in fact generally starve the administration, and it will then become entitled to deduct the war expenditure from the total expenditure of the country, and to claim credit for economy on the ground of the smallness of the balance. In short, the more the Government of India spends on war at the expense of the ordinary administration, the greater the credit it deserves for economical management of the finances."

7. Mr. Stanhope alludes to this subject in the following words: "Part of this increased expenditure on public works was of course due, as the noble lord the Secretary of State for War had told the House, to the activity of the Provincial Governments and Local bodies in the construction out of funds at their disposal of minor local improvements very necessary for the progress and development of the country. But here, again, there was great danger. He observed that the Provincial Governments had in April 1882 accumulated very large balances, owing to restrictions put upon their expenditure in previous years. These balances were being spent at the rate of one and-a-half million a year;* and, though this expenditure was perfectly legitimate, and an essential consequence of the contracts entered into with the Provincial Governments, it was evident that in another year these balances would be exhausted, and they would of necessity have to curtail their expenditure on this head to an enormous extent, or to devise some fresh means of raising revenue." If Mr. Stanhope recognises this expenditure as "perfectly legitimate," I have nothing more to say, except that the admission causes his case to break down. As regards the last remark in the sentence I have quoted from Mr. Stanhope's speech, I have only to observe that, when the balances are exhausted, there will certainly be no increase of taxation, but that expenditure will, of course, be curtailed. *It cannot be too clearly understood that expenditure from the Provincial balances is of a purely temporary nature, and that in the ordinary course of things it would have been largely reduced in 1884-85.* There will not be the least difficulty in curtailing expenditure when the balances are exhausted, for care has been taken not to allow permanent Public Works establishments to grow up, and also not to allow Provincial Governments to undertake works which will cost more than the sums which they will without difficulty be able to provide. The alternative to the policy of allowing the balances to be spent is that, after the Provincial Governments have saved their money, they are not to be allowed to spend it.

* This figure includes Local as well as Provincial Balances. The estimated amount to be spent from the Provincial Balances only is 1,278,000 £. in 1882-83 and 1,172,000 £. in 1883-84. The estimated amount to be spent from both Provincial and Local Balances is 1,505,000 £. in 1882-83 and 1,479,000 £. in 1883-84.

CORRESPONDENCE RELATING TO

it. It must lie idle. Instead of being devoted to the construction of those works which Mr. Stanhope recognises as so "very necessary for the progress and development of the country," and instead of being applied to the prevention of famine, the money would be hoarded up to be ultimately spent on famine relief, or possibly to be swept into the Imperial treasury on the occurrence of another war. It would, I think, be difficult to conceive a more short-sighted policy than this. So far from being economical, it is the very reverse. It strikes at the root of the Provincial system of finance. Under this system Local Governments would have no inducement whatever to save money. As the savings would not benefit the Local Governments, we may feel pretty confident that there would be very little saving at all. Wasteful expenditure would be incurred, so that the whole of the income of the year might be spent within the year.

8. It appears to me that the argument I have stated above is so conclusive an answer to Mr. Stanhope's criticisms, and shows so clearly the fallacious nature of the method of comparison which he employed, that I might almost stop here. I have, however, several other remarks to make as regards Mr. Stanhope's method.

9. It is in a great many cases a complete fallacy to take the average expenditure of any 10 years, and to argue, because some subsequent year shows an increase of expenditure over the average, that, therefore, the Government in power during the year subsequent to the decade is responsible for this increase.

10. The expenditure under *Superannuations* is a striking instance in point. The net expenditure under this head went on steadily increasing from the first to the last year of the decade on which the average is struck, as the figures in the margin will show. In 1871-72 the net expenditure was 768,000 *l.* In 1880-81 it was 1,834,000 *l.*, the increase in the course of 10 years having been no less than 1,066,000 *l.* The average expenditure of the 10 years was about 1,215,000 *l.* In 1881-82 the expenditure was 1,826,000 *l.* Under Mr. Stanhope's method of comparison, the Government of the year 1881-82 is made responsible for an increase of expenditure of (1,826,000 *l.* — 1,215,000 *l.*) 611,000 *l.*; whereas, as a matter of fact, the expenditure in 1881-82 was slightly (8,000 *l.*) less than that in the preceding year. The real growth of the superannuation

	Net Expenditure.
	£.
1871-72	768,000
1872-73	887,000
1873-74	821,000
1874-75	1,077,000
1875-76	1,168,000
1876-77	1,169,000
1877-78	1,283,000
1878-79	1,329,000
1879-80	1,072,000
1880-81	1,834,000
Total	12,148,000
Average of 10 Years	1,214,800

charges has been a good deal less than would appear from these figures (*see* Appendix II., paragraphs 223-237); but even if this were not the case, it would be absurd to fix the responsibility for the present charges upon the Government of the day. On the contrary, the Government for the time being can never be in any considerable degree responsible for the current charge under this head. It has to bear the consequences of any pension rules which may have been framed by its predecessors; and so again, if it makes any alterations in those rules, the full consequences will not be immediately felt; they will be felt by subsequent Governments.

11. Take, again, such a case as *Marine* (*see* Appendix II., paragraphs 171-172). There is an increase of expenditure in 1881-82 and in 1882-83 as compared with the expenditure of 1880-81. This is almost entirely due to the construction of a new troopship costing about 129,000 *l.* I do not doubt that the ship was very necessary, but the responsibility for incurring the additional expenditure rests, not with the Government in power during the time the ship was being built, but with the Government that ordered the ship to be built. As a matter of fact, it was decided to order the ship in November 1878.

12. Another very considerable source of error in the method adopted by Mr. Stanhope is that the figures for the years 1882-83 and 1883-84 are only estimates, whereas those for all previous years are taken from the accounts. The estimates both of revenue and expenditure are always framed with great caution, and the accounts almost always show a better result than the estimates. This argument applies, of course, more especially to the year 1883-84, for which we at present only have a Budget Estimate. But it also applies, although in a less degree, to the year 1882-83, for which the figures quoted by Mr. Stanhope are those of the Revised Estimate.

13. Compiled as the estimates are, it is a mistake to suppose, because the estimate under any particular head shows an increase of expenditure as compared with the accounts of some former year, that there will necessarily be a real increase amounting to the difference between the two sums. I will give two illustrations to show the correctness of these remarks. Take, first, the case of *Forest*.* The Budget Estimate for 1881-82 was—revenue, 770,000 *l.*; expenditure, 571,000 *l.*; leaving a net revenue of 199,000 *l.* The Revised Estimate was—revenue, 820,000 *l.*; expenditure, 600,000 *l.*; leaving a net revenue of 220,000 *l.* The Accounts showed the following result—revenue, 874,000 *l.*; expenditure,

* In these figures *Refunds* have not been deducted from the receipts.

expenditure, 558,000 *l.*; net revenue, 316,000 *l.* The net revenue according to the Accounts was, therefore, 96,000 *l.* better than the Revised Estimate, and 117,000 *l.* better than the Budget Estimate. Take, again, the case of *Irrigation and Navigation*.* The original Budget Estimate in 1881-82 was—revenue, 903,000 *l.*; expenditure, 1,385,000 *l.*; showing a net expenditure of 482,000 *l.* The Revised Estimate was—revenue, 923,000 *l.*; expenditure, 1,382,000 *l.*; showing a net expenditure of 459,000 *l.* The accounts showed the following result—revenue, 988,000 *l.*; expenditure, 1,296,000 *l.*; net expenditure, 308,000 *l.* The net expenditure was, therefore, 151,000 *l.* less than the Revised Estimate, and 174,000 *l.* less than the Budget Estimate.

14. Turning to the details of the Return from which Mr. Stanhope took his figures, it is to be observed that, before any charge of extravagance can be made out, many points have to be considered which must be necessarily left out of account in such sweeping generalisations as those made by Mr. Stanhope. I will go through some of the expenditure heads, with which Mr. Stanhope alone dealt, in order to show the correctness of this remark.

15. Take, first, the case of *Mint* (see Appendix II., paragraphs 101-102). The net revenue or expenditure under this head fluctuates very greatly. The average net revenue for the 10 years ending with 1880-81 was 64,000 *l.* The net expenditure in 1881-82 was 17,000 *l.* The estimated net revenue in 1882-83 is 64,000 *l.* This relatively large revenue was, however, no cause for congratulation, but the reverse. It was due to the fact that the Secretary of State, during the early months of the year 1882-83, placed very few bills on the market, and that, therefore, a large amount of silver came out to India and was coined at the Mints. The Government did not in reality gain anything. What was gained under *Mint* receipts was more than lost in the low rate obtained for bills later in the year. The revenue and expenditure under this head varies from causes which are to a very great extent beyond the control of Government. No credit for economy can be taken if the *Mint* yields a net revenue, neither can any charge of extravagance lie if it shows a net expenditure.

16. Take, again, the case of the *Post Office* (see Appendix II., paragraphs 75-91).

	Net Ex- penditure.
	£.
Average 1871-72 to 1880-81	123,000
1881-82	198,000
1882-83 (Revised Estimate)	207,000
1883-84 (Budget Estimate)	212,000

There is an apparent increase of expenditure during the years 1881-82, 1882-83, and 1883-84, as compared with the average of the 10 years ending with 1880-81. This is mainly due to three causes. In the first place, the charges for the "District Dakas," amounting to about 100,000 *l.* a year, are debited to the *Post Office*, but the receipts, which cover the charges, appear under *Provincial Rates*. As, however, Mr. Stanhope has only dealt with the expenditure and not with the revenue heads, the increase of expenditure is alone taken into account in his comparison. The increase of receipts is left altogether out of account.

Secondly, the *Post Office* receipts have fallen off in recent years by reason of the restricted operations of the bullock trains, which used to go all over the country. Their place has now, to a great extent, been taken by the Railways; but the receipts under *Railways*, which counterbalance the loss of receipts under *Post Office*, are left out of account by Mr. Stanhope. Thirdly, several changes have been made during the last three years, in the way of reducing the charges to the public, involving in all a loss of about 23,000 *l.* in 1881-82, 34,000 *l.* in 1882-83 (Revised Estimate), and 31,000 *l.* in 1883-84 (Budget Estimate). It is a very fortunate thing that the Government has been able to make these concessions to the public, but of course the result of making them is to show a higher rate of net expenditure. A reduction of charge is, however, an entirely different thing from a real increase of expenditure.

17. In the case of *Telegraph* (see Appendix II., paragraphs 92-100) many points

	Net Ex- penditure.†
	£.
Average 1872-73 to 1880-81	100,000
1881-82	67,000
1882-83 (Revised Estimate)	135,000
1883-84 (Budget Estimate)	185,000

have to be considered before any accurate conclusions can be drawn from the figures. In the first place, capital expenditure was cut down as low as possible during the Afghan War, whilst the receipts of the *Telegraph Department* were largely increased by the number of official telegrams which were sent. The increase was, of course, only nominal. Expenditure to a corresponding amount appeared under the head of *Army*. But Mr. Stanhope excludes war expenditure from his calculation. The result is that he takes credit for the *Telegraph* receipts during the war, but takes no account of the corresponding expenditure under *Army*. His 10 years' average is thus made to appear in a more favourable light than the real facts of the case warrant. Again, considerable reductions have during the last three years been effected in the charges made to the public. A reduction of charge is, as I have already pointed out, an entirely different thing from an increase of expenditure

Expenditure

* These are the figures both for Productive Works and for works not classed as Productive.

† In these figures *Refunds* have not been deducted from the receipts.

expenditure. Lastly, we have to consider why there is an estimated increase of net expenditure in 1882-83 and 1883-84. When the figures come to be examined in detail, it will be found that the increase is wholly due to a high rate of capital expenditure. The Revenue and Expenditure Account proper of 1881-82, 1882-83, and 1883-84, compares very favourably with that of previous years, for, as I have already mentioned, the high receipts of 1878-79, 1879-80, and 1880-81 were to a great extent only nominal, being mainly due to the war. So far from being a matter for regret, it is a matter for congratulation, that, concurrently with a large reduction of taxation, the Government has been able to devote considerable sums to the construction of Telegraphs. I may mention that the high estimate of capital expenditure in 1883-84 is due to relatively great activity in the construction of Railways. A telegraph is, of course, a necessary adjunct to a railway. It is, however, improbable that all this money will be spent. Any comparison of Telegraph expenditure in different years, which does not take account of all these circumstances, must of necessity be fallacious.

	Net Capital Expenditure.	Net Revenue and Expenditure proper, + Revenue; - Expenditure
1872-73*	£ 128,000	£ - 105,000
1873-74 - - - -	91,000	- 70,000
1874-75 - - - -	91,000	- 52,000
1875-76 - - - -	125,000	- 37,000
1876-77 - - - -	131,000	- 1,000
1877-78 - - - -	88,000	- 35,000
1878-79 - - - -	58,000	+ 14,000
1879-80 - - - -	52,000	+ 107,000
1880-81 - - - -	94,000	+ 139,000
1881-82 - - - -	103,000	+ 36,000
1882-83 (Revised Estimate)	182,000	+ 27,000
1883-84 (Budget Estimate)	260,000	+ 75,000

due to a high rate of capital expenditure. The Revenue and Expenditure Account proper of 1881-82, 1882-83, and 1883-84, compares very favourably with that of previous years, for, as I have already mentioned, the high receipts of 1878-79, 1879-80, and 1880-81 were to a great extent only nominal, being mainly due to the war. So far from being a matter for regret, it is a matter for congratulation, that, concurrently with a large reduction of taxation, the Government has been able to devote considerable sums to the construction of Telegraphs. I may mention that the high estimate

of capital expenditure in 1883-84 is due to relatively great activity in the construction of Railways. A telegraph is, of course, a necessary adjunct to a railway. It is, however, improbable that all this money will be spent. Any comparison of Telegraph expenditure in different years, which does not take account of all these circumstances, must of necessity be fallacious.

18. The case of *Allowances, &c, under Treaties*, affords another remarkable instance of the fallacy of Mr. Stanhope's method of comparison. The item which figures under this title in the Parliamentary Return from which Mr. Stanhope quoted is made up of two heads of account, viz., *Assignments and Compensations* (see Comptroller General's Explanatory Note, Appendix III.) and *Territorial and Political Pensions* (see Appendix II., paragraphs 217-220). The figures are as follows:—

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Territorial and Political Pensions.	Assignments and Compensations.	TOTAL.	REMARKS.
	£.	£.	£.	
1871-72 - - - -	881	844	1,725	
1872-73 - - - -	863	886	1,749	
1873-74 - - - -	989	868	1,857	
1874-75 - - - -	850	889	1,739	
1875-76 - - - -	819	895	1,714	
1876-77 - - - -	802	870	1,672	
1877-78 - - - -	821	826	1,647	
1878-79 (a) - - - -	803	1,023	1,826	(a) Northern Customs line abolished.
1879-80 - - - -	699	1,116	1,815	
1880-81 - - - -	684	1,215	1,899	
TOTAL - - £.	8,211	9,432	17,643	
Average - - -	821	943	1,764	
1881-82 - - - -	682	1,194	1,876	
1882-83 (Revised Estimate) -	688	1,242	1,930	
1883-84 (Budget Estimate) -	743	1,246	1,989	

19. It will be seen that subsequent to 1877-78 there was a large increase of expenditure under *Assignments and Compensations*. The increase was mainly nominal. It was due to the payments made to Native Princes when the Northern Customs Line was abolished, a reform which conferred very great benefits on the country. The increase of expenditure under *Assignments and Compensations* was more than counterbalanced by an increase of revenue under *Salt*. Under Mr. Stanhope's system of looking only to the expenditure heads, and excluding the revenue heads from his calculations, the increase of expenditure under *Assignments and Compensations* is taken into account, but no allowance is made for the increase of revenue under *Salt*.

20. Under *Territorial and Political Pensions* there is no increase of expenditure in 1881-82, and only a slight estimated increase (4,000 L.) in 1882-83, as compared with the expenditure of 1880-81. The anticipated increase in 1883-84 occurs in England, and is due to special causes, which will not recur (see Appendix II., paragraph 220).

21. There

* No separate capital account was kept prior to 1872-73.

21. There has been a real increase of expenditure under *Scientific and other Minor*

	Net Expenditure *
Average 1871-72 to 1880-81 -	£ 312,000
1881-82 -	440,000
1882-83 (Revised Estimate) -	382,000
1883-84 (Budget Estimate) -	326,000

recurs once every 10 years.

Departments (see Appendix II., paragraphs 190 (a)—210), to which I shall presently recur; but the high expenditure in 1881-82 is mainly due to the Census charges, which amounted to 30,000 l. in 1880-81, 159,000 l. in 1881-82, and 30,000 l. in 1882-83 (Revised Estimate). This is a charge which, of course, only

22. *Law and Justice* (see Appendix II., paragraphs 150-165) affords another instance of the erroneous conclusions which may be drawn, both from looking only to the expenditure, to the exclusion of the revenue heads of account, and from not being intimately acquainted with the connection which exists between the different heads of account. Any one looking at the accounts will find that in 1881-82 the gross expenditure under this head was 3,232,741 l., and that the receipts under the analogous head on the revenue side of the account were 677,454 l., from which he might very possibly infer that the administration of law and justice in 1881-82 cost the country the difference between these two sums, viz., 2,555,287 l. Any such conclusion would be erroneous. The cost of the law courts is mainly paid by suitors in the form of Court Fees, which are necessarily credited on the revenue side of the account under the head of *Stamps*. Including the revenue from Court Fees, the net cost of *Law and Justice* during 1881-82 was only 360,000 l. (see Appendix II., paragraph 150).

23. Under Mr. Stanhope's system of comparison full allowance is made for the increase

	Net Expenditure (after deducting receipts on account of Court Fees).
1871-72 - - - -	£ 255,000
1872-73 - - - -	622,000
1873-74 - - - -	651,000
1874-75 - - - -	675,000
1875-76 - - - -	683,000
1876-77 - - - -	674,000
1877-78 - - - -	622,000
1878-79 - - - -	639,000
1879-80 - - - -	616,000
1880-81 - - - -	474,000
1881-82 - - - -	360,000
1882-83 (Revised Estimate) -	388,000
1883-84 (Budget Estimate) -	459,000

ably short of the estimate.

of expenditure under *Law and Justice*, but the increase of revenue under *Stamps* is not taken into account. The real cost to the country of the administration of the law, so far from increasing, has been steadily diminishing, as the figures in the margin will show (see Appendix II., paragraph 150). The expenditure under this head is largely influenced by the cost of maintaining prisoners in the jails, which again depends largely on the price of food. The estimated increase in 1883-84, as compared with 1882-83 and 1881-82, is mainly due to the fact that, in framing a Budget Estimate, it is not thought prudent to rely on low prices. It is, however, very probable that the actual expenditure will fall considerably short of the estimate.

24. I now turn to the head of *Police* (see Appendix II., paragraphs 166-170). There

	Net Expenditure *
Average from 1871-72 to 1880	£ 2,232,000
1881-82 -	2,806,000
1882-83 (Revised Estimate) -	2,404,000
1883-84 (Budget Estimate) -	2,482,000

Provincial Governments took over the Police charges heretofore borne by municipalities, and which, therefore, did not formerly appear in the Accounts and Estimates of the Government, and handed over to them other branches of expenditure in their place. The reform was a very desirable one, and was universally approved. In the majority of instances, that is to say, where transfers of expenditure of similar amounts have taken place from Provincial to Municipal heads, the increase is, of course, only nominal. But in some cases the Provincial Governments, in order to relieve municipalities, took over more expenditure on account of Police than they handed over to municipalities under other heads. Thus, the Government of Bengal took over an expenditure of 44,000 l. on account of Police, and only handed over to municipalities an expenditure of 10,000 l. on account of Dispensaries and Hospitals, thus increasing Provincial expenditure and relieving the municipalities to the extent of 34,000 l. a year (see paragraphs 65-67 of Financial Statement for 1882-83). To this extent, therefore, the municipalities in Bengal have had funds provided to them from Provincial revenues in order to provide for education, sanitation, &c. This is a very different process from an extravagant increase of establishments or salaries.

has been an increase of expenditure under this head, but, before any charge of extravagance can be based on the fact of this increase, the causes of the increase must be known. By far the greater portion of the increase is due to the fact that, when the quinquennial contracts were renewed at the end of 1881-82, the

25. There has been an increase of expenditure under *Education* (see Appendix II.,

	Net Expenditure *
Average 1871-72 to 1880-81 -	£ 800,000
1881-82 -	890,000
1882-83 (Revised Estimate) -	934,000
1883-84 (Budget Estimate) -	995,000

paragraphs 173-177). Sir John Strachey, speaking of the increase of expenditure under this head between 1869-70 and 1880-81, which he estimated at 82,555 l., said †—"It is to be regretted that the increase has not been larger." It would indeed be difficult to assign a limit to the amount of money which might usefully be devoted to education in India. From 1871-72 to 1875-76 the net expenditure on education steadily increased. In 1871-72 it was 693,000 l.; in 1875-76 it was 873,000 l.; the increase

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* Refunds have not been deducted.
 † The correct figure is 71,000 l. When Sir John Strachey wrote, the Accounts for 1880-81 had not yet been made up; his figures were, therefore, those of the Revised Estimate.
 ‡ *Finances and Public Works of India*, p. 42.

increase in four years was, therefore, 180,000 *l.* Then came the famine and the Afghan War, with the result that the net expenditure fell in 1876-77 to 854,000 *l.*, in 1877-78 to 850,000 *l.*, in 1878-79 to 831,000 *l.*, and in 1879-80 to 827,000 *l.* In 1880-81 the Government was able to devote 998,000 *l.* to education, but, owing to the rise in receipts, which amounted to 170,000 *l.* as compared to 140,000 *l.* in 1879-80, the net expenditure was only 828,000 *l.*

26. Almost the whole of the expenditure on education is Provincial, and it is satisfactory to see that since the financial pressure due to the war was removed, the Local Governments have been able to devote larger sums to this very necessary object. In 1881-82 the net expenditure was 890,000 *l.* In 1882-83 the estimated net expenditure is 934,000 *l.*, and in 1883-84, 995,000 *l.*

27. There has also been an increase of expenditure under *Medical* (see Appendix II., paragraphs 180-182). The expenditure under this head shows a steady tendency to grow as the country advances. The increase is not to be regretted. Sir John Strachey (*The Finances and Public Works of India*, p. 42) says, speaking of the growth of expenditure under this head,—“This signifies a greater number of hospitals and dispensaries, and “is a matter for congratulation.” I agree with Sir John Strachey in thinking that a moderate growth of expenditure under this head is no cause for regret. Moreover, in some cases the increase is only nominal (see Appendix II., paragraph 182).

28. There is also an increase of expenditure under *Political* (see Appendix II., paragraphs 183-190). The increase is due to circumstances arising either out of the Afghan War or out of our actual relations with Afghanistan. The following items testify to the accuracy of this statement:—

	Expenditure
Average from 1871-72 to 1880-81	£ 429,000
1881-82	649,000
1882-83 (Revised Estimate)	511,000
1883-84 (Budget Estimate)	442,000

	Increase of 1881-82 over 1880-81.
	£.
Allowances to the ex-Amir of Afghanistan - - -	4,335
Subsidy to the Amir of Afghanistan - - -	160,000
Subsidy to the Governor of Kandahar - - -	10,000
Allowances to Kabul refugees - - -	12,601
TOTAL - - - £.	186,936

29. In 1882-83 the charge under this head is estimated at 511,000 *l.*, which, although 82,000 *l.* in excess of the average for the 10 years ending with 1880-81 (429,000 *l.*), is 138,000 *l.* less than the expenditure of 1881-82 (649,000 *l.*), and 20,000 *l.* less than that of 1880-81 (531,000 *l.*). The estimated expenditure of 1883-84 is only 442,000 *l.*, but this estimate will probably be exceeded, as since it was framed a subsidy of 120,000 *l.* a year has been granted to the Amir of Afghanistan. The charges for 1880-81 and 1881-82 were exceptionally high, and there can be no doubt that one of the consequences of the Afghan War will be to permanently increase the expenditure under *Political* as compared with the expenditure prior to the war. This increase is much to be regretted, but the present Government is in no way responsible for it.

30. The case of *Interest on Debt, exclusive of that for Productive Public Works* (see Appendix II., paragraphs 2-8), affords another illustration of the care with which it is necessary to deal with these figures, and of the fallacious results which may be obtained by striking an average of the decade ending with 1880-81, and comparing it with any single subsequent year. This item in the Parliamentary Return from which Mr. Stanhope quoted is made up of two heads of account, viz., *Interest on Ordinary Debt*, and *Interest on Deposits*. According to the accounts the average expenditure under *Interest on Ordinary Debt* for the 10 years ending with 1880-81 was 4,826,000 *l.* The expenditure in 1881-82 was 4,024,000 *l.* The estimated expenditure of 1882-83 is 3,988,000 *l.*, and that of 1883-84, 3,824,000 *l.* During the last two years there has, indeed, been a real reduction of expenditure under this head, because about 2,000,000 *l.* has been applied to the reduction of debt. But any comparison of the expenditure of 1881-82 and subsequent years with the average expenditure of the 10 previous years would be entirely fallacious.

If.

If anyone will run his eye along the figures given in Appendix III. to the last Financial Statement (see also Appendix II. attached to this Minute, paragraph 3), he will see that up to and including the year 1875-76 the charge under this head always exceeded 5,000,000 l. In 1876-77 it suddenly dropped to about 4,500,000 l. The reason is that, commencing from the year 1876-77, the interest on debt incurred for Productive Public Works was shown separately from the interest on ordinary debt, as may be seen by reference to the group entered in the accounts and estimates which is entitled *Expenditure on Productive Public Works, Revenue Account*. The result, therefore, in this case, would be to compare together two sets of figures which are not comparable, as they do not deal with the same class of facts. In this case an apparent advantage would lie with the years 1881-82, 1882-83, and 1883-84, but a considerable portion of this advantage is only apparent. It is not real. In order to institute a valid comparison, it would be necessary either to strike an average on the five years commencing with 1876-77 and ending with 1880-81, or to exclude from the years prior to 1876-77 the interest on debt incurred for productive public works. To admit of a valid comparison being made, the table in paragraph 2 of Appendix II. has had only the interest on ordinary debt exhibited in it.

31. The item *Interest on Deposits* is mainly on account of interest paid to depositors in the Savings Banks. An increase of charge under this head is no matter for regret. It has always been the policy of the Government to give every legitimate encouragement to Savings Banks. The sums lent to Government by depositors in the Savings Banks serve to diminish the amount which is annually borrowed for Productive Public Works. Moreover, the apparent increase in 1881-82 under this head is largely due to a book transaction; which is explained in Appendix II, paragraph 6.

32. Turning now to the expenditure under *Army* (see Appendix II., paragraphs 324, 325), it is to be observed that in making his comparison Mr. Stanhope deducted the expenditure which figures in the Accounts and Estimates as due to the Afghan and Egyptian wars. In the case of the Afghan War it was, however, impossible to make any very accurate separation between war and ordinary expenditure. It cannot be doubted that in the ordinary military expenditure from 1878-79 to 1881-82, both inclusive, a good deal of war expenditure was included. Allusion was made to this point in paragraph 85 of the Financial Statement for 1882-83. The estimated amount of gross war expenditure included in the ordinary military expenditure of 1881-82 is estimated by the Comptroller General at no less than 660,000 l. (see Appropriation Audit Report for 1881-82, Section K). This of course vitiates Mr. Stanhope's comparison.

33. The increase of expenditure under *Public Works (Ordinary), Irrigation, and Railways* (see Appendix II., paragraphs 269-299 and 302-323), is almost entirely due to the fact to which I have already alluded (paragraphs 5-8), that the Provincial and Local balances, which accumulated during the Afghan War, are now being spent.

34. A considerable portion of the money spent under *Subsidised Railways* (see Appendix II., paragraphs 292-299) is really only an advance, and will eventually be repaid to Government. A portion of the money spent under *Southern Mahratta Railway* will also probably come back to Government.

	Net Expenditure.
	£.
<i>Subsidised Railways</i>	
1881-82	15,237
1882-83 (Revised Estimate) -	67,000
1883-84 (Budget Estimate) -	89,900
<i>Southern Mahratta Railway</i>	
1882-83 (Revised Estimate) -	33,100
1883-84 (Budget Estimate) -	84,800

35. I could mention several other points of detail which should be taken into consideration before any general conclusions can be drawn from the Parliamentary Return from which Mr. Stanhope quoted; but I trust I have said enough to show that the whole question is far too complicated to admit of such sweeping generalisations as those adopted by Mr. Stanhope.

36. I have said that one main defect, as it appears to me, in Mr. Stanhope's method of comparison is, that he deals only with the expenditure heads and leaves the revenue heads out of account. I will endeavour to show to what extent the revenue has increased since 1871-72. In making this calculation I will adopt the same arrangement of figures as that which is adopted in the Parliamentary Return from which Mr. Stanhope quotes. Before stating the facts of the case, however, I wish to point out that, in comparing the net revenue of any one year with that of the 10 previous years, we are met—as in the case of the expenditure heads—with numerous sources of error. To a few of these I will allude.

37. Mr. Reid, who seconded Mr. Stanhope's Resolution, said that "the Land Revenue had only increased from 20,520,000 l. in 1872 to 21,112,000 l. in 1881." I do not know from what source Mr. Reid drew his figures for 1872. The gross Land Revenue in 1871-72 was 20,531,719 l. But his figure for 1880 tallies with the figure given in Appendix III. to the Financial Statement of 1883-84 under *Principal Heads of Revenue*, the precise figure for 1880-81 being 21,112,995 l. Mr. Reid has entirely lost sight of one point. Up to and including the year 1877-78 the Land Revenue was given in one figure only. From the commencement of the year 1878-79 it was split up into two figures (see Appendix II., paragraph 11) with a view, I believe, to meet opinions which had been expressed in the House of Commons that the Accounts and Estimates should show clearly the result of capital expenditure on Productive Public Works. The *Portion of Land Revenue due to Irrigation*

tion was, therefore, shown separately, and, if Mr. Reid had cast his eye down the page to the group entitled *Revenue from Productive Public Works*, he would have found that Land Revenue to the extent of 797,319 *l.* was entered separately in the accounts of the year 1880-81. The total Land Revenue in 1880-81 was, therefore, not 21,112,995 *l.*, as stated by Mr. Reid, but (21,112,995 *l.* + 797,319 *l.*) 21,910,314 *l.*—an amount greater than the Land Revenue of 1871-72 (20,531,719 *l.*) by 1,378,595 *l.* Any calculation which does not take account of this change of procedure must, of necessity, be faulty. In the Parliamentary Return from which Mr. Stanhope quotes, ordinary Land Revenue is alone included amongst the revenue heads. The *Portion of Land Revenue due to Irrigation* is included amongst the expenditure heads as a receipt under *Productive Public Works*.

38. Again, it was explained in the Financial Statement for 1882-83 (paragraphs 60-63), that formerly patwaris and kanungoes in Oudh were paid by the landlords. In March 1882 it was resolved that for the future they should be paid by the State. This transaction was really tantamount to a remission of taxation, which took the form of increased State expenditure under *Charges in respect of collection of Land Revenue*. The amount of taxation thus remitted was 75,000 *l.* a year. A reduction of taxation is, of course, an entirely different thing from a real increase of expenditure.

38 (a). Also it is to be borne in mind that so many changes have taken place during the last 13 years in the fiscal laws relating to *Provincial Rates, Assessed Taxes, Customs, and Salt*, as to render any comparison of the net revenue under each of these separate heads of little value.

39. In my opinion, therefore, Mr. Stanhope's system of comparison is essentially faulty, and I should never have thought of adopting it on my own initiative. I merely adopt it now in order to show the results which will be obtained under the method which commends itself to Mr. Stanhope.

40. With these preliminary remarks I proceed to show how the revenue heads of the years 1881-82, 1882-83 (Revised Estimate), and 1883-84 (Budget Estimate), compare with the average of the decade ending with 1880-81. The figures in the subjoined table show net receipts after deduction of payments in realisation of Revenue and Refunds.

000's omitted.

£. 1. = Rs. 10.

	Average from 1871-72 to 1880-81.	1881-82.	1882-83 (Revised Es- timate).	1883-84 (Budget Es- timate).
	£.	£.	£.	£.
Land Revenue - - - - -	18,145	18,896	*18,475	*18,533
Tributes - - - - -	722	707	710	701
Forests - - - - -	198	314	333	256
Excise - - - - -	2,431	3,311	3,480	3,509
Assessed Taxes - - - - -	359	495	490	490
Provincial Rates - - - - -	2,095	2,829	*2,610	*2,631
Customs - - - - -	2,295	2,093	1,054	1,074
Salt - - - - -	5,985	6,844	5,579	5,595
Opium - - - - -	7,052	7,803	7,217	7,034
Stamps - - - - -	2,737	3,233	3,254	3,288
Registration - - - - -	73	104	99	92
TOTAL - - - - - £.	42,092	46,629	43,301	43,203

* In 1882-83 and 1883-84 the *Land Revenue* and *Provincial Rates* figures do not tally with the figures in the Parliamentary Return from which Mr. Stanhope quoted, because in that return the refund figures adopted are not those of the Civil Estimates.

41. These figures, faulty though in many respects they be, are very remarkable. They show a net revenue in 1881-82 of 46,629,000 *l.*, being 4,537,000 *l.* in excess of the average net revenue of the 10 years ending with 1880-81 (42,092,000 *l.*). In 1882-83 and 1883-84 there is an estimated fall of 3,328,000 *l.* and of 3,426,000 *l.*, respectively, compared with 1881-82. This is, of course, due to the remission of taxation, amounting to about 2,824,000 *l.*, which took place in March 1882, and also due to a diminishing Opium Revenue. But, in spite of these considerations, the estimated net revenue of 1882-83 (43,301,000 *l.*) is 1,209,000 *l.*, and that of 1883-84 (43,203,000 *l.*) is 1,111,000 *l.*, above the average of the 10 years ending with 1880-81 (42,092,000 *l.*).

42. These figures, however, do not nearly represent the whole of the facts of the case. Mr. Stanhope, for reasons which appear to me to be inadequate, left out of account the revenue

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revenue and expenditure on *Productive Public Works (Revenue Account)*. The figures on this account are as follows (see Comptroller General's Statement, Appendix III.):

000's omitted.

£. I. = Rs. 10.

Y E A R.	Net Revenue + or Expenditure —.	REMARKS.
	£.	
1871-72	— 1,606	
1872-73	— 2,226	
1873-74	— 1,609	
1874-75	— 1,436	
1875-76	— 1,295	
1876-77	— 689	
1877-78	+ 300	
1878-79 (a)	— 1,254	(a) Before 1878-79 the <i>Portion of Land Revenue due to Irrigation</i> was not credited to <i>Productive Public Works (Revenue Account)</i> , and the separation of this revenue from other Land Revenue in 1878-79 was very imperfect.
1879-80 (b)	— 277	(b) East Indian Railway taken over by the State.
1880-81	+ 123	
TOTAL	— 9,962	
Average	— 996	
1881-82	+ (e) 1,133	(e) The Revenue of 1881-82 was abnormally high (see Appendix II, para. 257). The actuals of 1882-83 will certainly be in excess of the Revised Estimate, and there is every probability of the actuals of 1883-84 being in excess of the Budget Estimate.
1882-83 (c)	+ (e) 452	(c) Revised Estimate
1883-84 (d)	+ (e) 520	(d) Budget Estimate.

43. If the net revenue or expenditure on *Productive Public Works (Revenue Account)* be included in the comparison, the result would be to diminish the average net revenue for the 10 years ending with 1880-81 from 42,092,000 £. to 41,096,000 £., whilst the net revenue of 1881-82 would be increased from 46,629,000 £. to 47,762,000 £., the estimated net revenue of 1882-83 from 43,301,000 £. to 43,753,000 £., and the estimated net revenue of 1883-84 from 43,203,000 £. to 43,723,000 £. These figures are quite sufficient to explain why a large reduction of taxation was possible in 1882-83. The net revenue of 1881-82, including that from *Productive Public Works* (47,762,000 £.), was 6,666,000 £. in excess of the average net revenue of the 10 years ending with 1880-81 (41,096,000 £.); and, in spite of the reduction of taxation, the estimated net revenue of 1882-83 (43,753,000 £.) is 2,657,000 £., and that of 1883-84 (43,723,000 £.) 2,627,000 £., in excess of the average of the 10 years ending with 1880-81 (41,096,000 £.)

44. Indeed, a mere statement of what has been done within the last few years, in the way of the remission of taxation, is in itself almost a sufficient answer to Mr. Stanhope's accusations. It would have been difficult to have abandoned the revenue involved in the following fiscal reforms, if the financial position of India had been so critical as Mr. Stanhope seems to think.

- (1.) Nearly the whole of the import duties have been abolished at a net cost of 1,108,000 £. a year (see paragraph 229 of Financial Statement for 1882-83).
- (2.) The salt duty has been reduced by 30 per cent. in Bengal and by 20 per cent. elsewhere, the immediate loss being 1,400,000 £. a year (see paragraph 200 of Financial Statement for 1882-83).
- (3.) The

* If this Return is to be presented annually to Parliament, I would suggest that *Productive Public Works (Revenue Account)* be no longer treated as an expenditure head. It is now well-nigh certain that there will always be a net revenue under this head, and the plan of entering what is really a revenue head on the expenditure side of the account with a *minus* prefix is inconvenient.

- (3.) The patwari cess has been taken off in the North-Western Provinces, at a cost of 241,000*l.* a year (*see* paragraph 59 of Financial Statement of 1882-83).
- (4.) The cost of patwaris and kanungoes, amounting to 75,000 *l.* a year, which was formerly borne by the landlords of Oudh, is now borne by the Government, and the efficiency of the establishments has been increased at a further cost of 10,000 *l.* a year (*see* paragraphs 60-62 of Financial Statement for 1882-83).
- (5.) The fee for the registration of letters has been reduced by 50 per cent., namely, from four to two annas, the estimated immediate loss being about 24,000 *l.* (*see* paragraph 76 of Financial Statement for 1882-83).
- (6.) The postage on newspapers, not exceeding 1½ oz. in weight, has been reduced by 50 per cent., namely, from six to three pies, the immediate loss of revenue being estimated at 5,000 *l.* (*see* paragraph 77 of Financial Statement of 1882-83).
- (7.) Some reductions have been made in the Telegraph Tariff (*see* Appendix II., paragraph 93).
- (8.) The timber duty on the Salween river in Burma has been reduced from seven to one per cent., the estimated loss of revenue being 25,000 *l.* a year (*see* paragraph 53 of Financial Statement of 1882-83).*
- (9.) The duty on Malwa opium has been reduced by 50 rupees a chest (*see* paragraph 197 of Financial Statement for 1883-84).
- (10.) The railway rates on the transport of wheat have been reduced by 18½ per cent. (*see* paragraph 190 of the Financial Statement for 1883-84).

45. It is to be borne in mind that, concurrently with this reduction of taxation, there has been a large falling off in the opium revenue, as the following figures will show :—

	Net Revenue.
	£.
1880-81 - - - - -	8,451,000
1881-82 - - - - -	7,803,000
1882-83 (Revised Estimate) - - - - -	7,217,000
1883-84 (Budget Estimate) - - - - -	7,035,000

A further large reduction in the Opium Estimate will certainly have to be made in 1884-85 (*see* Financial Statement for 1883-84, paras. 223-24). I have little doubt that it will be possible to effect this reduction and to obtain financial equilibrium without the imposition of any fresh taxes.

46. Mr. Stanhope, however, says that, after the recent remission of taxation, "no surplus was left." If this statement were correct the argument which I have employed above would be of little value. But I entirely deny its correctness.

47. In spite of an expenditure of 797,000 *l.* on the expedition to Egypt, the Revised Estimate for 1882-83 shows a surplus of 60,000 *l.*, and we know now that, when the accounts are finally closed, a much more favourable result will be shown. Further, it is certain that, unless a war or famine occurs, there will be a large surplus in 1883-84 which will enable the Government to meet the fall in the opium revenue, which is to be anticipated in 1884-85 (*see* para. 223 of the Financial Statement for 1883-84), without a resort to fresh taxation. I am, therefore, at a loss to understand what Mr. Stanhope means when he says that, after the recent remissions of taxation, there is "no surplus left."

48. Mr. Stanhope also said that, though "it was true there was some slight elasticity in the revenue, its result was not large." In connection with this subject I invite attention to the figures given in paragraph 40.

49. The average net *Land Revenue* for the 10 years ending 1880-81 was 18,145,000 *l.* In 1881-82 the revenue was 18,896,000 *l.* The estimated revenue for 1882-83 is 18,475,000 *l.*, and we now know that the actuals will be about 105,000 *l.* in excess of the estimate. The estimated revenue of 1883-84 is 18,533,000 *l.* In considering these figures, it is to be borne in mind that up to and including the year 1877-78 the *Portion of Land*

* This duty was subsequently reduced to ½ per cent. It is not kept on for revenue purposes, but merely in order to pay for certain establishments which are of use to the trading community.

Land Revenue due to Irrigation is included, whereas subsequent to that year the revenue under this head is excluded. If the amount of *Land Revenue* credited to *Productive Public Works* since 1877-78 be included, the figures of gross revenue would stand thus:—

	£.
Average 1871-72 to 1880-81 - - - -	21,260,000
1881-82 - - - - -	22,439,000
1882-83 (Revised Estimate) - - - -	22,232,000
1883-84 (Budget Estimate) - - - -	22,339,000

50. Passing over the revenue under *Tributes*, which is, of course, nearly stationary, I come to *Forest* (see Appendix II., paras. 65-68). In this case there is a steady tendency to increase. The average net revenue of the 10 years ending with 1880-81 was 198,000*l.* The net revenue of 1881-82 was 314,000*l.* The estimated net revenue of 1882-83 is 333,000*l.*, and we now know that the actuals will turn out better than the estimate. The estimated net revenue of 1883-84 is only 256,000*l.*, but I have very little doubt that it will amount to a larger sum.

51. The increase under *Excise* is very remarkable, as the following figures will show:—

	£.
Average net revenue from 1871-72 to 1880-81 -	2,428,000
1881-82 - - - - -	3,311,000
1882-83 (Revised Estimate) - - - -	3,480,000
1883-84 (Budget Estimate) - - - -	3,509,000

52. No comparison of the net revenue derived from *Assessed Taxes* (see Appendix II., paras. 24-26) during the years under consideration is of any value, as so many changes have been made in the fiscal laws under which they are levied.

53. The same remark applies to some extent to *Provincial Rates* (see Appendix II., paras. 21-23). The estimated falling off in 1882-83 and 1883-84 as compared with 1881-82 is due to a remission of taxation amounting to 241,000*l.* in the North-Western Provinces. In reality the revenue shows a steady tendency to increase.

54. The falling off under *Customs* (see Appendix II., paras. 62-64) is, of course, due to the abolition of the import duties.

54 (a). The revenue under *Salt* (see Appendix II., paras. 46-61) shows a most satisfactory tendency to increase. In 1881-82 it was 6,845,000*l.*, as compared with an average of 5,985,000*l.* during the 10 years ending with 1880-81.* The estimated falling off in 1882-83 and 1883-84 is, of course, due to a reduction of the duty. I have, however, no doubt that in a few years the revenue at the reduced rate of duty will be equal to that formerly realised at the higher rate (see Financial Statement for 1883-84, paras. 95-116).

55. *Opium*, as I have frequently said before, shows a steady tendency to diminish, but the increasing revenue from other sources will probably be sufficient to make good the loss under this head.

56. *Stamps* show a steady tendency to increase, as the following figures will show:—†

	£.
Average 1871-72 to 1880-81 - - - -	2,737,000
„ 1881-82 - - - - -	3,233,000
„ 1882-83 (Revised Estimate) - - - -	3,254,000
„ 1883-84 (Budget Estimate) - - - -	3,288,000

57. The

* In these figures refunds are deducted, but no deduction is made on account of the payments to Native Princes, which figure under *Assignments and Compensations*.

† These figures do not tally with those given in Appendix II., paragraphs 17 and 18, as they include receipts from Court Fees. In the figures given in Appendix II., paragraphs 17 and 18, the receipts from Court Fees are excluded from *Stamps* and included under *Law and Justice* (paragraphs 150-165).

57. The revenue from *Registration* (see Appendix II., paras. 69-70) is almost stationary, but the amounts are small.

	£.
Average 1871-72 to 1880-81	73,000
" 1881-82	104,000
" 1882-83 (Revised Estimate)	98,000
" 1883-84 (Budget Estimate)	93,000

58. I have already (para. 42) shown the remarkable development of revenue from Productive Public Works.

59. Sir John and General Strachey in their recent work* said—"We may, at least for the present, dismiss as erroneous all statements regarding the absence of elasticity in the revenues of India. If they have not shown themselves to be elastic, it is difficult to conceive what elasticity means." I agree with Sir John and General Strachey, and not with Mr. Stanhope. In point of fact, so far from being inelastic, the revenue of India is remarkable for its elasticity. I shall be much surprised if, in the course of the next 10 years, the Indian does not show itself to be more elastic than the English revenue.

60. I now turn to the consideration of another branch of the question. In some cases a real increase of expenditure has taken place during the last three years. Thus the subordinate executive Service has been reorganised at a cost of about 45,000 £ a year. An Agricultural Department has been re-created. The Forest Department in Madras has been reorganised. The Meteorological Department has been strengthened. Veterinary schools have been established, and a number of small reforms connected with *Scientific and other Minor Departments* have been carried out (see Appendix II., paras. 190 (a)-210). It is not sufficient to state baldly that there has, in these cases, been an increase of expenditure. It is necessary to take into account why the additional expenditure has been incurred.

61. In connection with this subject I should wish to draw attention to the peculiar circumstances which have obtained during the last two or three years. It will be remembered that in 1876-77 to 1878-79 a disastrous famine occurred. One of the results which ensued from that famine was that a Commission, composed of highly-qualified persons, was appointed to examine into the causes of famine in India, and to propose whatever remedial measures were possible in order to mitigate its intensity. When the pressure of the Afghan War was over, it became the duty of the Government to consider very carefully the recommendations of the Famine Commissioners. The Commissioners themselves had concluded their Report, which was sent in on 31st July 1880, in the following words: "We may be pardoned for expressing the hope that the magnitude of this subject and its intricacy may not be permitted to stand in the way of the early practical adoption of whatever remedial measures are now approved, and that the well-known danger of attempting too much, or of postponing all action till all doubt is removed, and of prolonging discussion in the vain expectation of attaining complete uniformity of judgment, may in this case be avoided."

62. Anybody who is well acquainted with the history of Indian administration must be well aware that the dangers to which the Famine Commissioners alluded are by no means imaginary. The most voluminous reports on every conceivable subject exist in the archives of the Government of India. It appeared, however, to the Government that the period for discussion had now passed, and that, in certain directions at all events, the time had arrived when some definite action should be taken. Almost every single one of the proposals of the Famine Commission involved an increase of expenditure. I am not in the least prepared to defend every petty item in respect to which expenditure has been incurred. Neither, indeed, have I sufficient technical knowledge to say whether in every case the expenditure was wisely incurred, or the reverse. But I do say that, in view of the fact that the financial condition of the country was generally prosperous, and that, so far from its being necessary to impose additional taxes, it became possible to make a very large remission of taxation, it was the bounden duty of the Government to give effect, to the best of its abilities, to the views of the Famine Commissioners. In a great many, I think I may indeed say in a majority, of the cases where an increase of expenditure has occurred during the last three years, that increase may be traced to the recommendations of the Famine Commission.

63. I have so far criticised Mr. Stanhope's method of comparison, and I have endeavoured to institute a comparison of the revenue since 1880-81 with the average revenue of the preceding 10 years. As a matter of personal opinion, however, I attach but little importance to general comparisons of this sort. The only way in which any useful comparison with past years can be instituted is, by taking separately each item in the accounts and estimates and carefully analysing the causes of increase and decrease. To do this thoroughly would require a complete examination of the accounts since the year 1871-72. I am unable to spare the time which would be necessary in order to conduct such an examination, but in a paper attached to this Minute (Appendix II.) I have stated the main incidents connected with each item. Even this inquiry has involved a great deal of labour, and I fear that few people will care to follow me through the dry and uninteresting details with which I have dealt. Nevertheless, it will be impossible to arrive at any accurate

accurate general conclusion unless it be based on a careful examination of the details. The question is essentially one of detail.

64. I should wish before I conclude to make some further observations on certain remarks which fell from Mr. Stanhope in the course of his speech.

65. In the first place I wish to express my entire concurrence with Mr. Stanhope in the remarks he made about military expenditure. It is possible that the whole of the reforms recommended by the Army Commission, and which would have involved a saving of about 1,250,000 *l.* a year, could not be carried out without impairing the efficiency of the army. The reforms proposed by the Government of India involved a saving of from 500,000 *l.* to 600,000 *l.* In deference to the views expressed by the military advisers of the Government, I was quite prepared to accept this, relatively speaking, minor instalment of reform, but I wish to express my strong opinion that this is the minimum amount of economy which might be effected without in any way impairing the efficiency of the army. I wish to draw special attention to the remarks contained in the Military Despatch to the Secretary of State, No. 401, of 20th October 1881. After giving a list of the changes made in the organisation of the English army during the last 20 years which have thrown additional charges on the Indian revenue, the Government of India went on to say—"These additional charges amount to more than 800,000 *l.* a year. Some of them were for necessary improvements; others were imposed with little or no reference to Indian wants, and in most cases without the Indian Government having any voice in the matter." The military expenditure of India can never be placed on a satisfactory footing whilst a large portion of it remains, as it practically is at present, at the mercy of the War Office and the Horse Guards. Nothing has yet been done, and there appears to be very little prospect of anything being done, towards carrying out the most important of the reforms proposed nearly two years ago by the Government of India.

66. Mr. Stanhope criticised the arrangement under which one-half of the Famine Insurance money (750,000 *l.*) is applied to the construction of Protective Works. The arrangement was not invented by me. When I arrived in India I found that Lord Cranbrook had given instructions that one-half of the Famine Insurance money should be devoted to the reduction of debt and one-half to the construction of Protective Works. I think on the whole that this is as good an arrangement as could be adopted, though the question is a very arguable one. The only change I should like to see made is that the 750,000 *l.* now applied to Protective Works should be capitalised.

67. Mr. Stanhope then spoke of the "great danger" arising from the "enormous remittances" which India has to make annually to England. I will not now attempt to discuss this important and difficult question, but I wish to point out that, when Mr. Stanhope says that "the loss in a single year by exchange had been as much as 3,000,000 *l.* or 4,000,000 *l.*," he seems to me to have exaggerated. The words "Loss by Exchange" are very misleading, and I am glad to say that we now no longer use them in our accounts and estimates (*see* Financial Statement for 1883-84, paragraph 45). I do not think that the real loss in any one year has ever been nearly so much as the figure mentioned by Mr. Stanhope. I beg to repeat what I said in the Financial Statement for 1881-82 (paragraph 80). After stating that the net *Loss by Exchange*, as it was then termed, was estimated at 3,063,120 *l.* for 1881-82, I added—"I need hardly point out that these (*i.e.*, the entries *Gain by Exchange* and *Loss by Exchange*) are adjusting entries, and the difference between them does not furnish the true measure of the loss to India from the recent change in the relative values of gold and silver. In order to arrive approximately at the real loss by exchange, we must assume a normal relative value between gold and silver. When that relative value was as 1 to 15½, the 165 grains of pure silver contained in a rupee were worth 1 *s.* 10½ *d.*"

68. Mr. Stanhope then went on to say that "in his opinion the only way of grappling with that grave danger (*i.e.*, the exchange question) was either to develop trade in India, or to reduce the debt in England." I entirely agree, but I hardly think that the present Government can be fairly accused of inaction in respect of either of these two points. We have abolished almost the whole of the import duties. We have largely reduced the duty on salt. We have given a great impetus to the wheat trade by reducing the railway freights. If greater progress has not been made in the direction of improving communications, this is certainly not the fault of the Government of India. I hardly think that this can be called a slow rate of progress, when it is considered that these reforms have been carried out in three years. The export duty on rice indeed remains, but I do not doubt that before long its abolition will be possible.

69. As to reducing debt, about 2,000,000 *l.* was applied to the reduction of debt in 1881-82 and 1882-83, of which about 1,300,000 *l.* was in England. I do not see what more could have been done. A reduction of debt in the aggregate is, of course, impossible so long as we continue to borrow annually for Productive Public Works. I am fully alive to the importance of reducing debt in the aggregate, but I do not think that the time has yet come for seriously considering the question. When the export duty on rice has been abolished, when the scale of Court Fees has been reduced, and when the network of relatively unremunerative railways necessary for protection against famine has been completed, it will be possible to take the question of a real reduction of debt seriously in hand.

hand. In the meanwhile the present Government, by encouraging private enterprise in railways, has done something towards preparing the way for the consideration of this measure. One main object I always had in view in encouraging private enterprise was, to work gradually up to a time when the annual loan for Productive Public Works might be stopped, and a real reduction of debt would come within the domain of practical finance.

70. Mr. Stanhope says that it is "hardly possible to increase taxation." I am unable to agree in this view. India is very lightly taxed, and it is on economic and political grounds very desirable that it should be lightly taxed. The people are poor, and there is, in many districts, great pressure of the population on the soil. Moreover, as Lord Lawrence truly remarked, "light taxation is the panacea for foreign rule in India."* It would, however, be perfectly possible, should the necessity arise, to derive a considerably greater revenue from direct taxation, though I will not now enter into the question of whether such a step would be desirable, or the reverse. Moreover, one of the avowed reasons for reducing the salt duty was that it might constitute a fiscal reserve (*see* Financial Statement for 1882-83, paragraph 201). I should much regret if the necessity for enhancing the salt duty should arise, and I have no reason whatever to suppose that it will arise; but there can, in my opinion, be little doubt that the salt duty constitutes the best fiscal reserve for India, and there can certainly be no doubt that by putting on again the eight annas a maund, which were taken off in March 1882, the revenue might be increased by about 1,500,000 *l.* a year.

71. In conclusion, I wish to remark that, although I most emphatically deny that any charge for extravagance can be made good against the present Government, I am not in the least prepared to defend every petty item in the 66,000,000 *l.*, or thereabouts, that the Imperial and Provincial Governments of India spend annually. If anyone can point out where expenditure can be reduced without doing harm, he will be rendering a public service. All I can say is that, save in respect to military expenditure, I do not know in what quarter any large permanent reductions can be made without doing harm. The large temporary expenditure on Public Works by Provincial Governments will, of course, cease when once the balances, which accumulated during the Afghan War, have been brought down to their normal figures. To use Mr. Cross's words: "I am as anxious for economy as Mr. Stanhope; but it must be economy which should not fetter progress." I do not think it would be desirable at present to go further in the way of substituting native for European agency than will be the case under existing rules, and I think that the amount of money which might be saved by any such substitution is often much exaggerated. I am altogether opposed to checking the construction of Productive Public Works, or of works which insure the country against famine, provided such works can be carried out without a resort to fresh taxation. I gather from the terms of Mr. Stanhope's motion that he proposed to appoint a Parliamentary Committee to inquire into the question of reducing expenditure. The only sort of objection that occurs to me as regards this proposal is, that any Committee or Commission sitting in England will never be able to examine many of the most competent witnesses on the subject, for those witnesses are resident in India. Otherwise the more inquiry there is about Indian finance the better. The difficulties connected with the administration of the Indian finances are very considerable. I have no sort of wish to under-rate them. I recognised them in my last Financial Statement (paragraph 8) in the following terms: "Our standard of value is unstable. Our opium revenue is precarious. The tax-paying community is poor and incapable of bearing any heavy burthens. War and famine are constantly recurring evils. The comparative absence of private capital throws upon the State many onerous duties, which in other countries can be more advantageously performed through the agency of private enterprise." I might have added that the very great ignorance which prevails on the subject of Indian finance both in England and in India adds materially to the difficulties of the situation. The subject is somewhat difficult and complicated, and to many people it is uninteresting. Moreover, it is often thought to be a great deal more difficult and complicated than it really is. The subject, in all its branches, cannot be mastered without a considerable amount of study and research, which again involves more time than most people care to devote to it. The result is that we hear commonplace arguments, which either never were true, or have long since ceased to be true, repeated over and over again without much reference to the facts on which they are based. No one with any knowledge of the real facts of the present situation would speak of the Indian revenues being inelastic, of the people of India being ground down by heavy taxation, &c. Yet statements of this sort are repeated over and over again. Then also, it is to be remembered that the spasmodic manner in which Indian finance occasionally attracts the attention of Parliament and of English public opinion often does a great deal of harm. At one time there is an outcry for excessive expenditure on barracks, railways, &c. At another time there is an outcry for reduction of expenditure, with the result that there is great danger lest hasty steps be taken which may in the end prove the very reverse of economical. There is, indeed, plenty of room for discussion and criticism on financial and economic questions in India; but, so far

A REDUCTION OF THE EXPENDITURE OF INDIA.

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far as I have been able to see, the discussions, both in Parliament and the Press but too often leave the real points of issue untouched, and turn upon issues of relatively slight practical importance.

72. I have said that I do not wish to underrate the difficulties connected with the Indian financial situation. It would, in my opinion, be a mistake no less great to overrate them. The following table shows the financial results of the last 13 years :—

£. 1 = Rs. 10.

Y E A R.	Revenue.	Expenditure.	Surplus.	Deficit.
	£.	£.	£	£.
1871-72 - - - - -	56,452,228	53,328,051	3,124,177	—
1872-73 - - - - -	56,550,986	54,785,314	1,765,672	—
1873-74 - - - - -	57,050,309	58,857,977	- -	1,807,668
1874-75 - - - - -	58,916,960	58,597,943	319,017	—
1875-76 - - - - -	60,086,956	58,418,011	1,668,945	—
1876-77 - - - - -	58,726,658	60,909,436	- -	2,182,778
1877-78 - - - - -	61,922,796	65,465,863	- -	3,543,067
1878-79 - - - - -	65,065,316	63,031,070	2,034,246	—
1879-80 - - - - -	68,144,308	69,327,257	- -	1,182,949
1880-81 - - - - -	72,152,380	76,196,519	- -	4,044,139
1881-82 - - - - -	73,695,806	71,113,079	2,582,727	—
1882-83 (Revised Estimate) - - -	67,913,900	67,854,100	59,800	—
1883-84 (Budget Estimate) - - -	67,274,000	66,817,000	457,000	—
TOTAL - - - £.	823,952,603	824,701,640	12,011,584	12,760,621

Net Deficit - - - £. 749,037

73. It will be seen there has been a net deficit during the 13 years commencing with 1871-72 of about 749,000 £. In considering these figures, however, it must be borne in mind (1) that the surplus of 1882-83 will certainly be in excess of the Revised Estimate; (2) that unless a war or famine should occur, the surplus of 1883-84 will be largely in excess of the Budget Estimate; (3) that these figures include 2,177,000 £., which have been spent, or for which provision is made, in the three years 1881-82 to 1883-84 for reducing debt and thus providing an insurance against future years of famine. For all practical purposes it may be said that the net result of the last 13 years, allowing nothing for the expected improvement of 1882-83 and 1883-84, has been to show a surplus of about 1,500,000 £.

74. When it is considered (1) that during these 13 years there were two costly famines; (2) that during the same period the war in Afghanistan took place, which cost India, exclusive of Frontier Railways, 12,500,000 £.; (3) that about 800,000 £. was spent on the Egyptian Expedition; and (4) that during this period very large remissions of taxation have taken place, I cannot think that these figures are unsatisfactory. I doubt, indeed, whether any country in the world can show a more satisfactory balance-sheet.

Evelyn Baring.

APPENDIX I.

MEMORANDUM on the Charge of Extravagance against the present Government of India based on the Increase of Expenditure in 1881-82, 1882-83, and 1883-84.

Mr. Stanhope's attack based on increase of expenditure.

MR. STANHOPE bases his main attack on the management of Indian Finances on a great increase of expenditure in 1881-82, 1882-83, and 1883-84, as compared with the average expenditure of the preceding 10 years.

I do not propose to follow in detail the figures given by Mr. Stanhope, but merely to set forth certain general considerations which fundamentally affect the arguments in support of any charge of extravagance against the Government of India based solely on an apparent increase of expenditure. It must be understood that I do not profess to analyse in detail the progress of revenue and expenditure since 1871-72, which would be a work of time and labour, but that I merely undertake to state broadly the chief causes which have led to increased expenditure in 1881-82, 1882-83, and 1883-84, and to show that this increase is of good omen for the future of India, is the outcome of comparative material prosperity, and is not the result of financial extravagance.

Mere increase of expenditure no proof of extravagance in a country in the position in which India is at present.

2. In the first place, I deny that, in India, an increase of expenditure is, by itself, any proof of extravagance, or of want of economy, or of neglect of the interests of the country.

The wants of India are so great that a liberal expenditure is justifiable, if funds can be made available without pressing unduly on the resources of the country. The question is not, "Has expenditure increased?" but "Has the expenditure been incurred judiciously and in the right direction? Has the money been raised without unduly pressing on the country?"

The key-note of the work entitled *The Finances and Public Works of India* is the need for a liberal expenditure on public works.

India's expenditure on public works does not mean expenditure on public buildings and museums to gratify the inhabitants of a luxurious capital; it means roads, railways, canals, without which millions of human beings are doomed sooner or later to a miserable death by starvation.

I cannot do better than quote the following passage from the work already referred to:—

"This is no time to say 'Rest and be thankful.' Year after year runs silently by; and the fatal term will only too soon be reached when another terrible catastrophe will suddenly arise, though exactly when and where we know not.

"It is in the intervals of prosperity which are granted to us that we must prepare for the inevitable future; and, if the lessons of the past still continue to be neglected, the responsibility for the consequences will rest upon those who, having the power to arrest them, have failed to do so. For any hesitation or delay in carrying out the works which alone can give the country the protection it requires, there is no valid argument to be found either in the probability of their causing financial difficulty, or in their insufficiency for meeting the end in view. So far from this being the case, judicious expenditure on these works will certainly supply the only assured means of preventing frightful mortality and ruin, and of avoiding the future waste of millions on ineffectual famine relief with no corresponding permanent benefit to the country: and such works, while thus affording protection in time of difficulty, will continually increase the resources of the people, and render them more and more capable of resisting pressure when it arises. Past experience, both in what we have done and in what we have left undone, points to these conclusions."

These are the statements of men who had had a life-long experience of Indian administration, and they are substantially the same as those which Mr. Laing expressed in bringing forward the Indian Financial Statement for 1861-62:—

"It is heart-breaking to hear of districts barren for want of water where water is to be had, of roads half-finished and abandoned, or finished but useless for want of some bridge which has tumbled down. India has two great wants,—irrigation and communication. I do not mean grand schemes only which strike the imagination, so much as village roads and village tanks and water cuts, which enable every rood of ground to grow its crop and send it to market."

I am confident that, if the opinions of those who have practical experience of the wants of India be asked, they will reply unanimously that first of all, and above all, India requires an expenditure on public works, which should be limited only by her financial ability to provide the funds.

Nor can increase of expenditure be limited to public works only; increased expenditure is needed for the extension of education, for the improvement of the position of the subordinate officials, for the establishment of additional courts of justice, and for many other purposes.

3. In the next place, I must point out that, in bringing a charge of extravagance against the present Government of India, it is unfair to compare the average expenditure of 1881-82, 1882-83, and 1883-84, with the average expenditure of the preceding 10 years. The expenditure in India has been steadily growing *pari passu* with the revenue; the present Government is not responsible for the increase that took place before 1881-82, and the only fair comparison, in bringing a charge of extravagance against the present Government of India, would have been with the expenditure immediately preceding 1881-82.

Unfairness of the comparison between the average expenditure of the years 1881-82 to 1883-84, and the average expenditure of the preceding 10 years

The years 1881-82 and 1882-83 were also years of great and almost unprecedented prosperity, and when the estimates for 1883-84 were framed there was every reason to anticipate that the same prosperity would continue throughout the year 1883-84. The same cannot be said of the preceding 10 years. During those years there were the great famines of Bengal and Madras, and the Afghan War. Expenditure was during this time reduced to a minimum, public works, and the administration generally, being starved. In paragraph 5 will be found a special order of the Government of India reducing expenditure in 1878, and in Financial Department Resolution No. 2997, dated 14th November 1873, the following orders were issued in connection with the Bengal famine:—

“The Viceroy and Governor General accordingly deems it necessary to invite the attention of Local Governments and Chiefs of Departments to the imperative necessity that is laid upon the Government and its officers for the immediate curtailment of all expenditure that can be reduced, postponed, or dispensed with. The scarcity in Bengal may cause a considerable strain on the general resources of the State, and expenditure that would be proper under ordinary circumstances, would be out of place now.

“His Excellency desires that each officer will take immediate steps to stop any expenditure in the present year that can be prevented, and that all estimates of charge for the coming year 1874-75 may be reconsidered and reduced to the utmost possible extent.”

It is misleading to compare the expenditure in years of great material prosperity with that of years in which all expenditure that could be reduced, postponed, or dispensed with, was summarily curtailed by the express orders of the Government of India. Those who make this comparison the basis of a charge of extravagance appear to think that the Government of India need only engage in a costly war, curtail all expenditure, Imperial, Provincial, and Local, in order to find the means of carrying it on, and in fact generally starve the administration, and it will then become entitled to deduct the war expenditure from the total expenditure of the country, and to claim credit for economy on the ground of the smallness of the balance.

In short, the more the Government of India spends on war at the expense of the ordinary administration, the greater the credit it deserves for economical management of the finances.

4. I have said that an increase of expenditure is *per se* no proof of want of economy in the management of Indian finances.

I will also show that the argument from a mere increase of expenditure is sometimes specially fallacious, because certain classes of expenditure bring in a more than equal amount of revenue.

Much of the public expenditure of India is directly, as well as indirectly, reproductive, and an increase of expenditure often gives rise to an increase of *net* revenue, but the increase of revenue does not in all cases appear under that Revenue Head of the Accounts which directly corresponds to the Expenditure Head under which the expenditure has appeared. A single instance will illustrate my meaning.

In 1877-78 the total expenditure under Assignments and Compensations amounted to 825,726 *l.* In 1880-81 it was 1,215,013 *l.*, being an increase of no less than 389,287 *l.* Here there is ample ground for a charge of extravagance, an increase of nearly 50 per cent. in three years.

Argument based on mere increase of expenditure fallacious from special causes.

Increase of expenditure under Assignments and Compensations not a proof of extravagance.

But this increase represents merely one portion of a reform which has conferred great benefits on the country. A vast customs line extended through the centre of India, and was manned literally by an army of preventive officers, who charged duty on all salt and sugar crossing the line in specified directions. By agreeing to yearly payments to various Native States, the Government of India secured control of the various salt sources not situated in British territory, and obtained the right to tax the salt consumed in those States. A great increase of revenue was the result; it became possible to sweep away the customs line; and the duty on sugar, which was simply a transit duty on an article produced in our own territories, was finally abolished.

In this case the expenditure appeared under Assignments and Compensations, and the increased revenue under Salt: any criticism which looks only to the expenditure under Assignments and Compensations, and fails to take into account the increased revenue under Salt, overlooks the more important part of the subject.

5. I will now take up the question of the increased expenditure due to—

I. *Local Taxation for Local Purposes.*

II. *The great success of the Reform in the direction of Financial Decentralisation known as the System of Provincial Services.*

I hope to be able to show that much of the increase of expenditure in the years 1881-82, 1882-83, and 1883-84, which has been brought forward as proof of extravagance

Increase of expenditure due to local taxation for local purposes, and to success of schemes Provincial Services.

gance on the part of the present Government of India, is really a proof of the success of the policy of statesmen who held that local wants in India could only be met by local taxation, and who for years supported the system of financial decentralisation which was inaugurated by Lord Mayo. The present Government is neither entitled to credit for the success of that policy, which was introduced many years ago, nor responsible for the expenditure to which it has led, and which is at once the proof, and the outcome, of its success.

Indian accounts show both Imperial, Provincial, and Local expenditure.

6. The Indian accounts show not merely Imperial, but also Provincial and Local, revenue and expenditure.

Imperial and Provincial revenues we may treat for many purposes as one: they are the revenues dealt with by the governing power; I will try to show hereafter how the system of Provincial contracts has, most fortunately, enabled Local Governments to increase expenditure, but in the first place I will deal with purely local expenditure.

Policy of local taxation to meet local wants approved by successive Governments.

Local revenues are quite different from Imperial and Provincial revenues; they are the proceeds of taxation raised for local purposes, and are, under conditions of greater or less stringency, at the disposal of local bodies. It has been the policy of Government to develop such bodies, because in no other way could local wants be adequately met. I may quote here the words of Mr. Laing on this subject. They were uttered in 1862-63, and they stated in plain language what was to be the policy of Government for the succeeding twenty years, a policy the success of which is now made the ground of a charge of extravagance against a Government that is responsible only for the last three years:—

“If this great Empire is ever to have the roads, the schools, the local police, and other instruments of civilisation, which a flourishing country ought to possess, it is simply impossible that the Imperial Government can find either the money or the management. The mere repair of the roads, where anything like a sufficiency of good roads has been made, is matter altogether beyond the reach of any central bureau. It is of the first importance to break through the habit of keeping everything in dependence on Calcutta, and to teach people not to look to the Government for things which they can do far better for themselves.

“It is most desirable to break through the system of barren uniformity and pedantic centralisation which has tended in times past to reduce all India to dependence on the bureaux of Calcutta, and to give to Local Governments the power and the responsibility of managing their own local affairs. The great branches of the expenditure, such as the Army and the National Debt, are Imperial: and, while this is the case, the great branches of revenue must remain Imperial also. But there is a wide field, both of revenue and expenditure, which is properly local, which in England is met by local rates, and which, in fact, must be met locally, or not at all.”

Similar language was used by Sir C. E. Trevelyan in 1864:—

“It is impossible that all the wants of this great Continent, according to the continually rising standard of the public requirements, can be provided for out of the Imperial revenues. Local agency and local resources, which are as multifarious as they are inexhaustible, must be increasingly drawn upon.”

The increase of expenditure by local bodies is a matter for congratulation and not for regret, and this increase of expenditure in no way affects the finances of the empire, for no such expenditure can be incurred unless the money to meet it has been previously raised from local sources.

Local Revenue from 1871-72 to 1883-84.

7. The following figures give the local revenue for each year since 1871-72:—

	£.
1871-72	1,947,603
1872-73	2,323,787
1873-74	2,705,108
1874-75	2,606,888
1875-76	2,955,205
1876-77	2,354,749
1877-78	2,495,411
1878-79	2,755,238
1879-80	2,962,402
1880-81	2,870,762
1881-82	3,032,361
1882-83	2,545,200
1883-84	2,562,800

Increase of Revenue justifies an increased expenditure of 114,536 l. per annum.

It will be seen that there is a falling-off of revenue in 1882-83 and 1883-84. I will presently explain the cause of this decrease, but, as the total revenue in 1881-82, 1882-83, and 1883-84, averaged 2,713,487 l. annually, while in the preceding 10 years it only averaged

averaged 2,598,615 £, it is clear that the increase of revenue would justify an expenditure during 1881-82, 1882-83, and 1883-84, of 114,872 £ per annum in excess of the average of the preceding 10 years.

And this does not represent the whole of the facts, for in 1882-83 the Government of India practically remitted local taxation to the extent of 326,000 £ per annum in the North Western Provinces and Oudh, and found the money from Imperial revenues; the revenue from which this expenditure is met does not appear as Local Fund Revenue, and the expenditure is not now shown as Local Fund Expenditure, but it forms a portion of the total expenditure shown in the Indian Accounts under the three heads of Imperial, Provincial, and Local. The amount which is now borne by the general revenues would come to 652,000 £ in two years, and would admit of an average expenditure of 218,000 £ for each of the three years 1881-82, 1882-83, and 1883-84, so that the total annual excess over the average of the previous 10 years which might have been met from local funds with safety is 332,872 £ (114,872 £ plus 218,000 £). (Of course, in dealing with Imperial revenue, we must deduct from the total expenditure which the increase of Imperial revenue would justify a yearly sum of 326,000 £, as we have included this sum in dealing with local expenditure.)

Further justifiable increase of 218,666 £ per annum in each of the years 1881-82 to 1883-84.

There is, also, a special cause for high expenditure in 1881-82, 1882-83, and 1883-84, which will be explained in the next paragraph.

8. All revenue raised by local bodies during any year, and not spent by them in that year, goes to increase the balance to their credit, and may be spent by them in any subsequent year or years, thus raising the expenditure temporarily to an abnormal figure. In 1878 the Government of India issued orders that all ordinary expenditure, Imperial, Provincial, and Local, should be curtailed as far as possible, in order to meet the cost of the war in Afghanistan. The orders are contained in Financial Department Resolution, No. 4063, dated 9th November 1878, from which I extract the following passage:—

Issue of orders by the Government of India in 1878 to curtail Local Expenditure.

*“ In view of the possibility of Military operations beyond the North-western frontier, for which costly preparations are being already made, * * * it is of immediate importance that the resources of the country should thus, as far as possible, be made available to meet present and probable extraordinary demands, and measures should be taken for suspending or postponing all optional expenditure, whether Imperial, Provincial, or even from Local funds, the balances of which are in the Imperial Treasury.”*

Whether from this cause alone or not I cannot say, but it is a fact that from the beginning of 1878-79 to the end of 1880-81 the balances of local funds largely increased.

Balance of local funds increased largely after the issue of these orders.

The following statement shows the actual and estimated balances every year from 1877-78 to the present time:—

	Closing Balance.
	£.
1877-78	861,642
1878-79	1,199,113
1879-80	1,284,642
1880-81	1,386,271
1881-82	1,146,497
1882-83	918,800
1883-84	611,700

It will be seen that in the three years 1878-79 to 1880-81 local bodies saved out of their income no less than 524,629 £ (1,386,271 £ — 861,642 £). There was besides a considerable balance to their credit in the beginning of 1878-79, and, when the prohibition given in 1878 ceased to operate, they wisely, and as a matter of course, made arrangements to spend their accumulated savings on the roads, bridges, and other useful works, of which all India stands urgently in need. For this purpose no sanction by, or even reference to, the Government of India was necessary.

Total saving in three years amounted to 524,629 £.

It will be seen that in the three years 1881-82, 1882-83, and 1883-84 they will have spent out of previous savings, and in excess of their income for these years, 774,571 £ (1,386,271 £ — 611,700 £).

Accumulated savings of previous years are being spent in 1881-82, 1882-83, and 1883-84.

I have already shown that the increase of Revenue in 1881-82, 1882-83, and 1883-84, over the average of the previous 10 years, would justify in each of these years an excess expenditure 352.

expenditure of 332,872 l., or of 998,616 l. in the whole period, and adding the sum which is being spent from past savings we get a total of 1,772,187 l., or 591,000 l. per annum.

Absurdity of the charge of extravagance against the present Government of India on the ground of an increase of Local Expenditure.

This sum forms a portion of that increase of expenditure on which a charge of extravagance against the *present* Government of India has been based, although the present Government has not given its sanction to any additional taxation for local purposes, and is not responsible for the policy of local taxation to meet local wants, or for that natural growth of local revenue which justifies additional local expenditure. Is it intended that the present Government should be blamed for removing the restriction on local expenditure by which local bodies were sacrificed to the wants of Imperial finance, and for allowing local bodies to spend the money which they had raised with the approval of successive Governments from local sources and for local purposes? *

Original scheme of Provincial Services involved decentralisation of expenditure and not of revenue in any considerable degree.

9. I will now take up the question of the increase of expenditure due to the success of the great policy of financial decentralisation. When the scheme of financial decentralisation and local responsibility was first introduced by the Government of Lord Mayo in 1871, provincial governments were told that they must meet all expenditure falling under certain heads in the accounts. To enable them to do so, they were given the receipts under corresponding revenue heads, and a fixed yearly allotment from the general revenues, sufficient or nearly sufficient to cover the expenditure. No share in any of the chief heads of revenue was assigned to them, and the total amount of revenue made over to their management was small, the bulk of their receipts being derived from the yearly allotment made by the Government of India.

It consequently afforded no special stimulus for the development of revenue.

As the local governments had no large heads of revenue assigned to them, there was no special stimulus or opportunity for the development of revenue by careful administration, and, as there could be no large increase of receipts, there could be no corresponding increase of expenditure. The total provincial revenue (as distinguished from the allotment from the Supreme Government) was 1,486,655 l. in 1871-72; in 1876-77 it was only 1,558,148.

To remedy the defects of the original scheme, the system of decentralisation was extended in 1877-78 to revenue as well as expenditure by the Government of Lord Lytton.

A new system was introduced from the beginning of 1877-78. Not only were the provincial governments required to meet the total expenditure on certain branches of the public service, but they were given (under certain conditions) the revenue from certain chief heads, such as excise, stamps, and law and justice.

Speaking of the arrangements made in 1871, the authors of the *Finances and Public Works of India* use the following words:—

"The chief defect of these measures, excellent so far as they went, was that they dealt almost exclusively with expenditure, and hardly at all with income. If it was certain that provincial responsibility would tend to economy in expenditure, it was equally certain that it would lead to improvement in those sources of revenue which depend for their productiveness on good administration."

Additional taxation imposed by the Government of Lord Lytton.

Simultaneously with the introduction of the new scheme of provincial contracts, additional taxation was imposed. This taxation took the form of a license tax throughout nearly the whole country, and, in addition, rates on land were generally imposed, except in Madras and Bombay, where they already existed. This taxation was specially intended to meet the cost of famine by securing a surplus of 1,500,000 l. per annum in ordinary years. The total additional taxation was at first about 1,345,000 l., but it was subsequently reduced to about 1,000,000 l., and the relief given by Lord Ripon's Government to the land-holding classes in the North Western Provinces and Oudh from the beginning of 1882 practically reduced it to 674,000 l. The surplus of 1,500,000 l., at which the Government of Lord Lytton aimed, merely operated to reduce the deficit during the Afghan War, but under the orders of the present Government a surplus of this amount is now secured by an equal amount being charged as expenditure every year; so that, when it is said that the finances are for any year in equilibrium, it should be understood that there is really a surplus of 1,500,000 l., of which 750,000 l. is devoted to reduction of debt, and 750,000 l. to

* I may here quote a passage from a letter (No. 362-T., dated 11th June 1880), written by the Lieutenant Governor of Bengal to the Government of India, which bears on the question of the enforced accumulation of balances by the order of the Supreme Government:—"The Government of India are doubtless aware that there is springing up in Bengal a strong feeling of discontent in connection with the question of taxation on account of public works, and the accumulation of balances which are never utilised for the benefit of the province. It was supposed that, under the system of provincial finance, the revenue of Bengal would be devoted to developing its material resources and giving the province those works and communications the need of which was universally admitted. Unfortunately, from one cause or another, the Government of Bengal has never been able to make proper use of its surplus provincial revenue. First, the famine swept away all that Sir George Campbell had accumulated. Then afterwards, as funds became available, restrictions have been repeatedly placed upon their expenditure by the orders of the Supreme Government. The Lieutenant Governor does not say that the exigency of the State may not have fully warranted these restrictions in the past, but he feels that the practical result has been greatly to nullify the anticipated benefits from the system of provincial finance, and to lend a specious justification to the popular cry that the Local Governments are merely utilised for the accumulation of funds which the Government of India spends upon Imperial and extra-Provincial objects. As a matter of policy and good government it is extremely undesirable that any such idea should take firm root in the minds of the people, and the Lieutenant Governor is particularly anxious that the people of Bengal should be convinced by practical demonstration that the funds raised within the province by special taxation on account of public works are actually so spent, and not allowed uselessly to accumulate."

to the construction of works, which, besides being to a greater or less extent productive in ordinary years, will in time of famine operate to reduce materially the large expenditure which would otherwise be necessary. The Provincial Governments derived almost no benefit from this additional taxation, and the increased expenditure which they have been able to incur is not due to it. The present Government of India had nothing to do with the imposition of this taxation, and I have alluded to it merely to obviate possible misapprehension.

10. As I have said, the various Local Governments were told in 1877-78 that they must meet certain classes of expenditure, and they were given certain heads of revenue for this purpose; the income made over to them was actually less than the expenditure, but it was hoped that with economy and good management they might make their income equal to their expenditure. What has been the broad result? Owing to good management and prosperous seasons, their incomes have in a series of years far exceeded the expenditure they had to meet. Although they were allowed to sanction additional expenditure, provided they could meet it from the revenues assigned to them, a yearly surplus accrued and went to swell the balances at their credit. No less a sum than 670,000 L. was withdrawn from their balances by the Government of Lord Lytton to meet the expenses of the Afghan War, but restored by the present Government in 1881-82.

Results of the system of financial decentralisation.

The following figures show the Provincial income for each of the years of the contract that expired at the end of 1881-82, excluding Assam and Burma, with which special contracts were made in 1879:—

Figures of Provincial revenue for 1877-78 to 1881-82.

	Allotment.	Revenue.	TOTAL.
	£.	£.	£.
1877-78 - - - -	4,593,920	7,576,109	12,170,029
1878-79 - - - -	4,835,090	7,908,865	12,743,955
1879-80 - - - -	4,476,056	8,663,529	13,139,585
1880-81 - - - -	4,349,371	8,659,923	13,009,294
1881-82 - - - -	4,729,071	9,309,317	14,038,388

For Assam and Burma the figures are as follows:—

	Revenue.
	£.
1878-79 - - - -	1,262,962
1879-80 - - - -	1,363,596
1880-81 - - - -	1,434,447
1881-82 - - - -	1,562,126

We see that there was an increase of revenue amounting to 2,032,372 L. during the currency of the contracts, from which should be deducted 1,045,444 L. on account of the increased cost of working expenses of Productive Public Works. The balance is 986,928 L., and by the terms of the contract the whole of this increase was at the disposal of the Governments concerned, and is sufficient to account for an increase of expenditure of the same amount during each of the years 1881-82, 1882-83, and 1883-84.

Total increase of Provincial revenue between 1877-78 and 1881-82 amounted to 2,032,372 L.

The success of the scheme of Provincial Services led to this large increase of revenue, and this large increase of revenue led to, and fully justifies, the increase of expenditure.

Those who look only to the increase of expenditure bring a charge of extravagance against the Government of India; those who look deeper, see that Lord Mayo's policy of decentralisation has been the means of conferring vast benefits on the country.

11. But there is another and special reason why expenditure should be high in 1881-82, 1882-83, and 1883-84. I have already alluded in paragraph 7 to orders issued by the Government of India for stopping all expenditure as far as possible, in order to meet the cost of the Afghan War, and I have shown how these orders were followed by a great increase of Local balances. The very same effect was produced by that order on Provincial balances also.

Issue of orders by the Government of India in 1878 to curtail Provincial expenditure.

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The following figures show the course of these balances from 1876-77 to 1883-84:—

Provincial balances increased largely after the issue of these orders.

	Total Closing Provincial Balance.
	£.
1876-77 - - - - -	232,813
1877-78 - - - - -	399,564
1878-79 - - - - -	1,323,467
1879-80 - - - - -	1,723,311
1880-81 - - - - -	1,950,056
1881-82 - - - - -	3,705,046
1882-83 - - - - -	2,427,400
1883-84 - - - - -	1,255,200

Total Provincial savings amounted to 3,472,233 l.

This money was entirely at the disposal of the Provincial Governments.

A portion of the saving is being spent in 1882-83 and 1883-84.

Summary of the causes of increased expenditure in 1881-82, 1882-83, and 1883-84.

These figures show that from the beginning of 1877-78 to the end of 1881-82, Local Governments saved out of their incomes no less a sum than 3,472,233 l.

This money was, under the contracts, entirely at the disposal of the Provincial Governments, and would under ordinary circumstances have been spent as it came in, but, chiefly owing to the circular of 1878, it lay idle in the Treasury, and helped to provide funds for the Afghan War. Indeed, 670,000 l out of it was appropriated in 1879-80 and 1880-81 by the Government of India, and swelled the Imperial revenue for those years, but was restored to the Provincial Governments in 1881-82 by Lord Ripon.

Out of this accumulation 2,449,840 l. (3,705,040 l. — 1,255,200 l.) is being spent in the years 1882-83 and 1883-84, and the expenditure in those years is temporarily swollen by this amount.

12. I have now shown that the increase of Local revenue justified an increase of expenditure, and that the increase of Provincial revenue justified a still larger increase. I have also shown that expenditure is specially high in 1881-82, 1882-83, and 1883-84, because Local Bodies and Provincial Governments are now allowed to expend the enforced savings of previous years.

If we wish to make a fair comparison between the justifiable expenditure of the years from 1881-82 to 1883-84, and that of the average of the preceding 10 years, the total savings, which would under ordinary circumstances have been spent in the first 10 years, should be added to the expenditure of the 10 years, and the savings of former years, which are being spent from 1881-82 to 1883-84, should be deducted from the expenditure of the latter years. This applies to both Provincial and Local.

The calculation may be made in the following manner:—

	£.
Savings from 1877-78 to end of 1880-81	524,629
	1,717,243
Add, 670,000 l. withdrawn from Provincial Balances -	670,000
Total - - - £.	2,911,872.

One-tenth of this sum is 291,187 l., and the average expenditure of the 10 years beginning with 1871-72 should be increased by this amount.

	£.
Excess Expenditure in 1881-82, 1882-83, and 1883-84, due to short Expenditure in previous years	774,571
	694,856
Add, 670,000 l. restored in 1881-82 to Provincial Balances - - - - -	670,000
Add, Special Additions to Provincial Balances in 1881-82 - - - - -	360,000
Total - - - £.	2,499,427

One-third of 2,499,427 *l.* is 833,142 *l.*, and this sum should be deducted from the average expenditure of 1881-82, 1882-83, and 1883-84.

In any comparison of the average expenditure from 1881-82 to 1883-84 with the average expenditure of the years 1871-1881, an apparent increase of no less than 1,124,329 *l.* (291,187 *l.* + 833,142 *l.*) per annum is due to the orders of 1878, which sacrificed provincial and local wants to the necessities for the time being of the Supreme Government.

Yet, on their action in restoring the money of which Provincial Governments and local funds had been deprived in order to obtain the means of satisfying the wants of Imperial finance, is based a charge of extravagance against the present Government of India.

13. We thus find that the increase of provincial revenue from 1877-78 to 1881-82 would have justified an increased annual expenditure of 986,928 *l.* in excess of the expenditure of 1877-78, that the increase of Local Revenue in 1881-84 over the average of the preceding 10 years would have justified an increased expenditure of 332,872 *l.*, and that the postponement of expenditure gave rise to a total increase of 774,571 *l.* from Local balances, and of 1,724,856 *l.* from Provincial balances, being 833,142 *l.* on an average for each of the three years 1881-82, 1882-83, and 1883-84.

The total is 2,152,942 *l.*, and the present Government of India is not responsible for the expenditure of one single rupee of this amount, except in so far as it was always in their power, by reversing the policy and disregarding the promises of former Governments, to seize this money and appropriate it to Imperial purposes.

But this sum must be taken as the justifiable increase of expenditure subject to certain qualifications. In the first place, the Government of India found from Imperial Revenues 326,000 *l.* of this amount, and must have been in a position to do so. In the second place, in making the contracts that began after the expiry of 1881-82, the Government of India deducted from Bengal 270,000 *l.* a-year, from the North-Western Provinces and Oudh 140,000 *l.*, and made a special arrangement in the case of Burma, the loss on which to Provincial Revenues we may take at 15,000 *l.* a year. On the other hand, various petty grants were made amounting to 38,000 *l.* The net result was a deduction from Provincial Revenues of 387,000 *l.*, and this reduces the admissible excess of expenditure from Local Funds and Provincial Revenues during each of the years 1882-83 and 1883-84 by an equal amount. This reduction necessitates a deduction of 258,000 *l.* for each of the three years, 1881-82, 1882-83, and 1883-84, and brings the justifiable excess down to 1,894,942 *l.* a year. It must, however, be borne in mind that no account has been taken of the increase of Provincial Revenue during the years 1882-83 and 1883-84; also in the case of Local Funds the justifiable excess means excess over the average expenditure of the 10 years ending in 1880-81, while in the case of Provincial expenditure it means the excess over the actual expenditure of 1877-78. There is a certain awkwardness in adding these figures together, but we will certainly be below the mark if, in any examination of the total increase of expenditure, we take the justifiable increase of Provincial and Local expenditure at 2,000,000 *l.* for each of the years 1881-82 1882-1883, and 1883-84, including the increase due to the spending of former savings.

14. The total revenue, Imperial, Provincial, and Local, in 1877-78, amounted to 61,922,796 *l.*; while in 1881-82 it amounted to 73,695,806 *l.*, showing an increase of 11,773,010 *l.*; from this should be deducted 2,659,768 *l.*, being the contribution for the Afghan War, and 2,274,193 *l.* on account of increased working expenses of Productive Public Works; there was therefore a substantial increase of revenue amounting to 6,839,049 *l.*

It was from this increase that the sum of 1,500,000 *l.* a year for Famine Insurance was provided, that Local and Provincial Funds obtained the means of largely increasing Local and Provincial expenditure to meet local wants, while taxation to the amount of very nearly three millions was remitted.

I doubt if greater financial progress has often been shown in any country in the same space of time.

15. As this Memorandum has now grown to considerable length, it may be well to give a summary of the conclusions at which I have arrived:—

I.—An increase of public expenditure in India is no proof that the finances are badly managed.

—It is unfair to charge the present Government with extravagance on the basis of a comparison between the average expenditure of 1881-84 and 1871-81,—

(a) Because the comparison ought to be made with the expenditure immediately before the present Government took office, and not with the expenditure of a series of years:

(b) Because the years 1881-84 were years of great prosperity (so far as can yet be judged), while the years 1871-81 included two great famines and an extremely costly war.

II.—An increase of expenditure often involves a still greater increase of revenue, which does not in all cases appear under the Revenue Head (if there be one) corresponding to the Expenditure Head, and it is therefore unfair to look only at expenditure heads, even though net figures be used.

The comparison of the average expenditure of 1881-82, 1882-83, and 1883-84 with the average of the expenditure of the preceding 10 years situated to the extent of 1,124,329 *l.* per annum by the operations of the orders of 1878.

Increase of local and provincial revenue and accumulated savings of past years justify an increased expenditure in each of the three years 1881-82, 1882-83, and 1883-84 of 2,718,457 *l.* (etc.).

Present Government of India not responsible for this increase.

General progress of revenue since 1877-78.

Summary of conclusions.

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IV.—A considerable portion of the increased expenditure is due to increase of local expenditure for which the present Government is not responsible.

V.—A large portion of the increased expenditure is due to the development of revenue under the system of provincial contracts, for the policy of which the present Government is not responsible.

VI.—The increase of local and provincial expenditure is the most satisfactory feature in the recent financial history of British India. No increase of local or provincial expenditure is possible without a previous increase of local or provincial revenue to at least an equal amount, and the increase of expenditure is therefore a proof of the elasticity of the revenues of India, and a complete justification of the policy inaugurated by Lord Mayo, approved by Lord Northbrook, developed and extended by Lord Lytton, and maintained by the present Government.

VII.—A large portion of the increased expenditure of 1881-84 is due to the fact that Local Bodies and Provincial Governments were prevented from spending their whole income by orders issued in 1878, and that this restriction was removed by Lord Ripon's Government. The orders of 1878 and 1879 struck a deadly blow at the policy of financial decentralisation, and they could only be justified on the ground of imperious financial necessity. It is a matter of deep congratulation that it was found possible to restore to Provincial Governments the money withdrawn from them, and to allow both Provincial Governments and Local Bodies to spend on the improvement of the country the revenues which had been assigned to them by express and deliberate agreement. The excess expenditure due to this cause will cease as soon as the enforced savings of past years are exhausted.

VIII.—The Government of Lord Ripon has imposed no fresh taxation of any kind, has remitted taxation amounting to very nearly three millions per annum, has maintained the scheme of Provincial Services in a liberal spirit, and has secured equilibrium between revenue and expenditure, in spite of increased loss by exchange, a fall in the opium revenue, and the heavy expenditure due to the Egyptian expedition.

16. I have admitted that there has been an increase of expenditure in India; that increase, so far as it is a permanent increase, being due almost wholly to the general policy of financial decentralisation, a policy introduced by Lord Mayo more than 12 years ago after the most careful consideration, and upheld, with the firmest conviction of its soundness, by successive Viceroys, by Lord Northbrook, by Lord Lytton, and by the present Government of India.

It is a singular fact that the very success of this policy should now be made the basis of an attack upon it, and of a charge of extravagance against a Government which came into existence some 10 years after its introduction. In Bengal, in the North-Western Provinces and Oudh, and in British Burma, the policy of financial decentralisation has been productive of incalculable good; but, as leisure is wanting to enable me to show in detail the benefits which it has conferred on the different provinces of India, and as there may be some who, while seeing clearly that there has been a large increase of expenditure, have not the opportunity of satisfying themselves that the expenditure was wisely incurred, and the means of meeting it obtained by judicious development of revenue, I cannot do better than quote the following passage from a statement of the progress made in Bengal during the term of the last provincial contract, which was put on record by Sir Ashley Eden in the year 1881.

Sir Ashley Eden was appointed Lieutenant Governor of Bengal at the time the Provincial contract of 1877-78 was being made, and he quitted the province in the last year of the contract. To him fell the responsibility of carrying it into effect, and it must have been with pardonable pride that in June 1881 he looked back on the progress that the province had made under his guidance.

I commend a study of his words to those who hold that financial decentralisation means simply increase of expenditure, and that in India increase of expenditure is financial extravagance.

“ That the system of decentralisation has been thoroughly successful in Bengal is sufficiently clear from the foregoing sketch. The revenues have rapidly increased, independently of any new taxation; useless expenditure has been curtailed; and funds have been made available for improvement under all branches of the Administration. All grades of the service have shown the deepest interest in increasing the resources of Government, under the belief that the surplus revenue would be available for the good of the province. The three heads of improvable revenue made over to the management of the Provincial Government, with an income of 165½ lakhs in 1876-77, will stand with an income of not less than 217½ lakhs in 1881-82. In the meanwhile the Lieutenant Governor has been able to carry out numerous works of improvement on his own responsibility, many of which, under the previous system, would

would have been indefinitely postponed. Besides making a special contribution of 20 lakhs to the Imperial Treasury in time of need, he has been able during these five years, to increase the staff of executive and judicial officers; to provide increased facilities for the administration of justice; to increase the grant for education; to make grants-in-aid of district communications and of works of drainage, sanitation, and municipal improvement; to build schools, colleges, and hospitals; to replace the huts in which the public business was transacted, or prisoners were confined, by substantial masonry court-houses and jails; to spend 20 lakhs on railways which will bring in a large return, 5½ lakhs on tramways, ¾ of a lakh on a steamer service to improve communication with Assam, and 2 lakhs on a road to develop the trade with Tibet; to spend 11 lakhs on the first portion of a work which will develop the trade of Orissa and protect it from famine; and to spend 38½ lakhs on improving navigation and providing a supply of pure water for the people. While 77½ lakhs have thus been expended on great measures of material improvement, and the expenditure on ordinary public works has been increased from 25,12,000 rupees in 1877-78 to 63,53,000 rupees, exclusive of expenditure on preliminary works of railway construction, in 1881-82, and while no legitimate outlay has been spared to strengthen every department of the Administration, the five years' period, which opened with a credit balance of -2,88,000 rupees only, will close with a credit balance of at least 14,46,000 rupees. When it is recollected that under the system which prevailed before 1871 every new charge required the sanction of the Imperial Government, that the decision on the demands of each province took no cognizance of the extent to which it had contributed to the general Exchequer, that nothing was to be gained by economy, because money left unspent by any one Government was practically lost to it, and only went to increase the amount to be scrambled for by all, some idea may be gained of the advantages which Bengal has reaped from the control of its own finances. There is no department of the service which has not felt the benefit of the financial independence conferred on the Government immediately responsible for its administration."

I can bear personal testimony to the vigorous financial control which existed in Bengal from 1877-78 to 1881-82, and to the judgment and vigour with which works of public improvement were pushed on as funds became available; but I am sure that even Sir Ashley Eden, under whom I had the honour of serving for a time, would be the first to admit that the marvellous progress which Bengal made in his time was due in the first place to the wise policy of decentralisation introduced many years before he was appointed to be Lieutenant Governor of Bengal.

I cannot believe that a policy which has produced such results would be deliberately condemned by anyone who had studied the past history of Indian finance and the progress recently made in solving at least some of the problems of Indian administration.

16 June 1883.

D. Barbour.

APPENDIX II.

EXAMINATION in detail of the growth of REVENUE and EXPENDITURE since 1871-72 under each separate Head of Account.

MINUTE by the Honourable Sir *Evelyn Baring*, K.C.S.I.

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1. I append to this Minute a Statement (Appendix III.) prepared by Mr. Westland, the Comptroller General, entitled "Net Accounts, 1871-72 to 1883-84." The figures given by Mr. Westland agree generally with those given in Appendix III. to the Financial Statement for 1883-84. In Mr. Westland's explanatory note of 20th June 1883, which accompanies his Statement, he explains how he has dealt with the heads *Refunds and Drawbacks* and *Assignments and Compensations*. An examination of the figures in the Public Works Department since 1871-72 has rendered it possible to determine how much of the interest on the whole debt of India, which was shown in one figure as *Interest on Ordinary Debt* in the accounts of 1871-72 to 1875-76 (both years inclusive), is properly chargeable to the head of Productive Public Works. The amounts so chargeable have in the Comptroller General's Statement been transferred to appropriate heads under Productive Public Works from the head 1—*Interest on Ordinary Debt, excluding that charged to Productive Public Works*. This examination has also brought to light errors of classification in the early years (*i.e.*, in 1871-72 to 1878-79), and it has also shown that in the years 1873-74 to 1875-76 the revenue under *Miscellaneous* (Group E), and the expenditure under *Civil Buildings, &c.*, was unduly swollen by reason of outlay on Famine Relief Works having at first been met from provincial revenues, the charges being taken under *Civil Buildings, &c.* These amounts were subsequently recovered from Imperial Revenues by charge to *Famine Relief*, the recovery being credited under *Miscellaneous* (Group E). The errors in classification have been corrected, and the debits and their corresponding credits under Provincial eliminated. The above changes have

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have introduced differences between this Appendix and Appendix III., and the net results to be obtained from the figures contained in the 13 years' Statement printed with the Financial Statement of 1883-84. The amounts transferred from Interest to Productive Public Works are 217,000 *l.*, 293,000 *l.*, 408,000 *l.*, 564,000 *l.*, and 734,000 *l.*, in the years 1871-72 to 1875-76. The debits and their corresponding credits eliminated are 229,000 *l.*, 802,000 *l.*, and 957,000 *l.*, in 1873-74 to 1875-76.*

A.—INTEREST.

2. INTEREST ON ORDINARY DEBT.

000's omitted.

£.1.=Rs. 10.

Y E A R.	Expenditure.	REMARKS.
1871-72 - - - - -	5,266	
1872-73 - - - - -	5,008	
1873-74 - - - - -	4,841	
1874-75 - - - - -	4,468	
1875-76 - - - - -	4,444	
1876-77 - - - - -	4,513	
1877-78 - - - - -	4,672	
1878-79 - - - - -	4,573	
1879-80 - - - - -	4,591	
1880-81 - - - - -	3,669	
TOTAL - - - £.	46,047	
Average - - -	4,605	
1881-82 - - - - -	4,024	
1882-83 (a) - - - - -	3,988	(a) Revised Estimate.
1883-84 (b) - - - - -	3,824	(b) Budget Estimate.

3. It is necessary to explain that it was only from the year 1876-77 (inclusive) that in the Finance and Revenue Accounts the interest on debt incurred for Productive Public Works was distinguished from that paid on ordinary debt. An examination of the figures in the Public Works Department has, however, rendered it possible to determine how much of the interest on the whole debt of India, which was shown in one figure in the accounts of 1871-72 to 1875-76, belongs properly to the head of Productive Public Works. The amounts so chargeable are found to be 217,000 *l.*, 293,000 *l.*, 408,000 *l.*, 564,000 *l.*, and 734,000 *l.*, in the years 1871-72 to 1875-76 respectively, and for purposes of a valid comparison the table in paragraph 2 has been made to include only the interest charged on ordinary debt during the whole of the years under comparison. The figures of that table differ from the figures under 1—*Interest, &c.*, contained in the 13-year statement attached to the Financial Statement of 1883-84, by the amounts specified above, and which in this Minute appear under Productive Public Works (see paragraph 1).

4. There has been a real reduction of expenditure under this head since 1880-81, for 715,151 *l.* was applied to the reduction of debt in 1881-82, 1,330,200 *l.* was remitted home to the Secretary of State to be applied to the reduction of sterling debt in 1882-83, and a sum of 131,700 *l.* will, if there be no famine, be available for the reduction of debt in 1883-84, making in the three years a total of 2,177,051 *l.* The saving of interest on account of these reductions may be roughly stated at about 80,000 *l.* a year. (For further explanations on this subject, see paragraphs 54-69 of the Financial Statement for 1881-82, paragraph 91 of the Financial Statement for 1882-83, and paragraph 139 of Financial Statement for 1883-84.)

* I may mention that I would reprint the 13-year statement at once and attach it to this Minute, but that in a recent Despatch, No. 196 (Financial), of 12th July 1883, the Secretary of State has suggested that certain alterations should be made in the classification as regards Refunds and Home Charges. This will be a work of some time. It will be better, therefore, to let the matter stand over and to annex a revised copy, containing all the corrections, to the next Financial Statement. I ought also to mention that small differences, amounting to never more than 1,000 *l.*, between the figures given in this Minute and in the Comptroller General's Statement (Appendix III.) would disappear if, in both cases, the total figures were given. It will be seen that in each case three cyphers have been omitted, thus making some slight differences in adding up the hundreds, tens, and units.

CORRESPONDENCE RELATING TO

5. INTEREST ON DEPOSITS.

£. 1. = Rs. 10.

000's omitted.

Y E A R.	Expenditure.	REMARKS.
	£.	
1871-72 - - - - -	483	
1872-73 - - - - -	556	
1873-74 - - - - -	541	
1874-75 - - - - -	380	
1875-76 - - - - -	387	
1876-77 - - - - -	395	
1877-78 - - - - -	359	
1878-79 - - - - -	379	
1879-80 (a) - - - - -	382	(a) Interest on savings banks deposits raised to $4\frac{1}{2}$ per cent. in December 1879.
1880-81 - - - - -	414	
TOTAL - - - £.	4,276	
Average - - -	428	
1881-82 (b) - - - - -	534	(b) Interest on savings banks deposits reduced to $3\frac{1}{2}$ per cent. in May 1881.
1882-83 (c) - - - - -	462	(c) Revised Estimate.
1883-84 (d) - - - - -	440	(d) Budget Estimate.

6. The expenditure under this head in 1881-82 (534,000 L.) was exceptionally high, being 106,000 L. in excess of the average of the preceding 10 years, and 120,000 L. in excess of the expenditure of the year 1880-81. This high expenditure was due to the following causes. On 29th December 1879 the interest paid by Government to savings banks depositors was increased from $3\frac{1}{2}$ to $4\frac{1}{2}$ per cent. This change made itself felt to some extent in 1880-81, and to a much greater extent in 1881-82. The balance in the savings banks on 31st March 1880 was 2,282,000 L.* On 31st March 1881 it was 3,165,000 L.† The increase of about 900,000 L. in the balances of course caused a corresponding increase in the payment on account of interest. The whole of the increase under this head is not, however, due to the enhancement of the rate of interest on savings bank deposits. Before 1881-82 it was the practice to charge the interest on the Presidency Savings Banks deposits in the year succeeding that for which it was due. Since 1881-82 the interest has been charged in the same year in which the credit was given in the detailed banking accounts. This entailed an apparent increase of expenditure in 1881-82 amounting to about 86,000 L. (see Appropriation Report for 1881-82, Section A 2). The increase under savings banks accounts for by far the greater part of the 120,000 L. by which the total expenditure of 1881-82 under *Interest on Deposits* exceeded that of 1880-81. There is, however, a small balance, which is due to the fluctuations on account of interest paid upon Service Funds.

7. In 1882-83 the estimated expenditure is 462,000 L., being 72,000 L. less than the expenditure of 1881-82, and 48,000 L. more than the expenditure of 1880-81. The diminution of expenditure as compared to 1881-82 is partly due to the fact that on 9th May 1881 the interest on savings banks deposits was again reduced to $3\frac{1}{2}$ per cent. In spite of this reduction, however, the amount of deposits on 31st March 1882 was 3,222,000 L.,‡ as compared with 3,165,000 L. on 31st March, 1881, and 2,282,000 L. on 31st March 1880. The expenditure is, therefore, of course higher than that of 1880-81. This is no cause for regret, but, on the contrary, one for congratulation. The extraordinary charge of 86,000 L., to which I have already alluded (para. 6), did not, of course, recur in 1882-83.

8. The reduction of expenditure in 1883-84, during which year it is estimated at 440,000 L., is due to the abolition of the Civil Service Provident Fund in Bombay, which will cause a reduction of expenditure of about 39,000 L. This reduction is, however, only nominal. There is a corresponding increase under the head of *Superannuations*. On the other hand, savings banks deposits are expected to increase, leaving a net reduction of 22,000 L. as compared with the estimated expenditure of 1882-83.

* *Finance and Revenue Accounts, 1879-80, p. 160.*† *Ibid, 1880-81, p. 158.*‡ *Ibid, 1881-82, p. 164.*

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Ba.—REVENUE AND EXPENDITURE CONNECTED WITH DISTRICT ADMINISTRATION.

9. LAND REVENUE.

000's omitted.

£. 1.=Rs. 10.

YEAR.	Gross Revenue.	Deductions.		Total Deductions.	Revenue after Deductions. Difference of Columns 1 and 4.	REMARKS.
		Refunds.	Assignments and Compensations.			
	1.	2.	3.	4.	5.	
1871-72 - - - -	£. 20,532	£. 42	£. 769	£. 811	£. 19,721	
1872-73 - - - -	21,375	79	813	892	20,483	
1873-74 - - - -	21,060	55	782	837	20,223	
1874-75 - - - -	21,932	56	809	865	20,467	
1875-76 - - - -	21,541	98	801	899	20,642	
1876-77 - - - -	19,891	58	797	855	19,036	
1877-78 - - - -	20,048	46	767	813	19,235	
1878-79 (a) - - - -	22,324	52	782	834	21,490	(a) In this and subsequent years the Portion of Land Revenue due to Irrigation is excluded from the figures in Column 1.
1879-80 - - - -	21,861	54	753	807	21,054	
1880-81 - - - -	21,113	47	741	788	20,325	
TOTAL - - - - £.	211,077	587	7,814	8,401	202,676	
Average - - - -	21,108	59	781	840	20,268	
1881-82 - - - -	21,948	48	764	812	21,136	
1882-83 (b) - - - -	21,700	169	759	928	20,772	(b) Revised Estimate.
1883-84 (c) - - - -	21,793	48	752	800	20,993	(c) Budget Estimate.

10. There are several methods which it is possible to adopt in comparing the figures as regards *Land Revenue*. It does not much matter which system is adopted, provided the basis of comparison be thoroughly understood. In order to make my figures tally with those in the Comptroller General's Statement (Appendix III.), I have arranged them so as to bring out the same results as those obtained by Mr. Westland.

11. The first column in the table given above shows the gross *Land Revenue*. Up to and including the year 1877-78 the figures show the total gross revenue. Subsequent to that year the *Portion of Land Revenue due to Irrigation* has been shown separately under *Revenue from Productive Public Works*. In 1878-79 and subsequent years, therefore, the total given above does not show the total gross revenue. If the *Portion of Land Revenue due to Irrigation* were included in these latter years, the figures would stand as follows:—

000's omitted.

£. 1.=Rs. 10.

YEAR.	Land Revenue as per Column 1 of Table in para. 9.	Portion of Land Revenue due to Irrigation.	Total Land Revenue (Gross).	REMARKS.
	£.	£.	£.	
1878-79 - - - -	22,324	127	22,451	
1879-80 - - - -	21,861	602	22,463	
1880-81 - - - -	21,113	797	21,910	
1881-82 - - - -	21,948	491	22,439	
1882-83 (a) - - - -	21,700	532	22,232	(a) Revised Estimate.
1883-84 (b) - - - -	21,793	546	22,339	(b) Budget Estimate.

12. Turning again to the table in para. 9, the reasons for deducting the refunds in Column 2 are obvious. The large amount refunded in 1882-83 (169,000 L.) is due to some considerable remissions of *Land Revenue* which were given in Bombay. The amounts, having been collected, had to be refunded.

13. Column 3 shows the deductions on account of *Assignments and Compensations*. This column requires a few words of explanation. A considerable amount of land is held revenue-free in Bombay. Instead, however, of dealing with the matter as a net transaction, it has been for many years the custom to credit the Government with the amount

of *Land Revenue*, and to enter a corresponding debit under the head of *Assignments and Compensations*. The amounts repaid under this head do not, of course, vary greatly. Of late years they have tended slightly to diminish.

14. Column 5 shows the total gross revenue after deductions on account of *Refunds and Assignments and Compensations*.

15. For reasons to which I will presently allude (paragraphs 28-29), the net *Land Revenue* is not given in this table. The expenditure on account of collecting the *Land Revenue* will be treated separately.

16. Sir John Strachey* points out that "the amount of *Land Revenue* collected between 1876-77 and 1879-80 was so greatly disturbed by remissions or postponements of the demand, made in consequence of famine, that no comparisons can usefully be made between the figures of particular years." The accuracy of this statement will be sufficiently obvious, if reference be made to the figures given in column 5 of the table in paragraph 9. In 1876-77 the *Land Revenue* amounted to only 19,036,000 *l.*, and in 1877-78 to 19,235,000 *l.* In 1878-79 it sprung up to 21,490,000 *l.* Without attempting, therefore, any very accurate comparison, it may be said that the *Land Revenue* shows a steady tendency to increase. In 1881-82 it amounted to 21,136,000 *l.*, a figure somewhat exceptionally high, owing to the collection of arrears. In 1882-83 the estimated revenue is 20,772,000 *l.* The preliminary actuals, which have now been received, show that about 105,000 *l.* was collected up to 31st March 1883 in excess of the Revised Estimate. The estimated revenue of 1883-84 is 20,993,000 *l.*

17. STAMPS (EXCLUDING COURT FEES) †

000's omitted.

£. 1. = Rs. 10.

Y E A R.	General Stamp	Portion	Net Revenue.
	Revenue.	of Expenditure	Difference of
	1.	Debitable	Columns 1 and 2.
		to General Stamp	
		Revenue. ‡	
	£.	£.	£.
1871-72 - - - - -	836	32	804
1872-73 - - - - -	881	31	850
1873-74 - - - - -	869	37	832
1874-75 - - - - -	860	55	805
1875-76 - - - - -	860	43	817
1876-77 - - - - -	854	38	816
1877-78 - - - - -	929	41	888
1878-79 - - - - -	960	49	911
1879-80 - - - - -	1,049	48	1,001
1880-81 - - - - -	1,065	44	1,021
TOTAL - - - £.	9,163	418	8,745
Average - - - - -	916	42	874
1881-82 - - - - -	1,080	44	1,036
1882-83 (Revised Estimate) - - - - -	1,080	49	1,031
1883-84 (Budget Estimate) - - - - -	1,085	40	1,045

18. The revenue from *Stamps* has been steadily growing year by year, and with the growth of revenue the expenditure increases slightly. The average expenditure during the 10 years ending with 1880-81 was 4.58 per cent. of the gross revenue. The expenditure of the three years 1881-82, 1882-83, and 1883-84 should be taken together, the expenditure in 1881-82 having been somewhat curtailed by reason of the preparation of new patterns of stamped papers in England, which were supplied in 1882-83, and thus caused the expenditure of that year to be somewhat abnormally high, whilst the expenditure of 1881-82 and 1883-84 (Budget Estimate) is abnormally low. The average expenditure of the three years is 4.07 per cent. of the gross revenue. This is only 2,000 *l.* above the average of the 10 years ending with 1880-81, and is the same as the expenditure for 1880-81. The figures are very satisfactory. The revenue has been growing much more rapidly than the expenditure, which, indeed, may be said to be almost stationary.

* *The Finances and Public Works of India*, p. 27.† These figures of Revenue and Expenditure do not agree with those given in Appendix III. to the Financial Statement for 1883-84. The Comptroller General's note attached to his net accounts (see Appendix III.) shows how the Revenue and Expenditure under *Stamps* has been divided between *Law and Justice* and Revenue and Expenditure on account of *General Stamp Duties*.

‡ One-half of the total expenditure on "Other Charges" has been debited to the General Stamp Revenue (see Mr. Westland's explanatory note of 20th June, and his "Subsidiary Statement").

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19. EXCISE.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Gross Revenue.	Refunds and Assignments and Compensations.	Revenue, after deduction of Refunds, &c.	Expenditure.	Net Revenue. Difference of Columns 3 and 4.
	1.	2.	3.	4.	5.
	£.	£.	£.	£.	£.
1871-72	2,370	1	2,369	140	2,229
1872-73	2,325	2	2,323	134	2,189
1873-74	2,288	2	2,286	98	2,188
1874-75	2,347	4	2,343	92	2,251
1875-76	2,494	3	2,491	87	2,404
1876-77	2,524	6	2,518	91	2,427
1877-78	2,458	2	2,456	99	2,357
1878-79	2,619	6	2,613	88	2,525
1879-80	2,838	13	2,825	111	2,714
1880-81	3,135	45	3,090	95	2,995
TOTAL - - - £.	25,398	84	25,314	1,035	24,279
Average - - -	2,539	8	2,531	103	2,428
1881-82	3,427	49	3,378	97	3,281
1882-83 (Revised Estimate)	3,615	70	3,545	95	3,450
1883-84 (Budget Estimate)	3,623	50	3,573	94	3,479

20. It is evident that, so far as *Excise* is concerned, no case of extravagant expenditure can be made out. The average expenditure of the 10 years ending with 1880-81 was 103,000 *l.* a year. The expenditure of the last year of the decade (1880-81) was 95,000 *l.* The expenditure of 1881-82 was only 97,000 *l.* The estimated expenditure of 1882-83 is 95,000 *l.*, and that of 1883-84, 94,000 *l.* The expenditure has, therefore, been slightly diminishing, whilst the gross revenue (column 3) has been very largely increasing, the increase in 1881-82 being no less than 847,000 *l.*, that of 1882-83 (Revised Estimate) 1,014,000 *l.*, and that of 1883-84 (Budget Estimate) 1,042,000 *l.*, over an average of the 10 years ending with 1880-81.

21. PROVINCIAL RATES.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Gross Revenue.	Refunds.	Revenue, after deduction of Refunds.	Expenditure.	Net Revenue. Difference of Columns 3 and 4.
	1.	2.	3.	4.	5.
	£.	£.	£.	£.	£.
1871-72	1,637	-	1,637	12	1,625
1872-73	1,893	6	1,887	48	1,839
1873-74	1,835	32	1,803	37	1,766
1874-75	1,873	22	1,851	41	1,810
1875-76	1,947	56	1,891	53	1,838
1876-77	1,930	56	1,874	52	1,822
1877-78	2,256	33	2,223	66	2,157
1878-79	2,639	30	2,609	64	2,545
1879-80	2,882	8	2,874	48	2,826
1880-81	2,776	9	2,767	46	2,721
TOTAL - - - £.	21,668	252	21,416	467	20,949
Average - - -	2,167	25	2,142	47	2,095
1881-82	2,896	14	2,882	53	2,829
1882-83 (Revised Estimate)	2,668	7	2,661	51	2,610
1883-84 (Budget Estimate)	2,688	6	2,682	51	2,631

CORRESPONDENCE RELATING TO

22. The changes which have been made since 1871-72 in the laws under which the *Provincial Rates* are levied render any comparison with the average of past years of little value. Thus the apparent falling off in the revenue of 1882-83 and 1883-84, compared with the years immediately preceding, is due to the remission of the patwari cess in the North-Western Provinces, which formerly brought in revenue to the extent of 241,000 *l.* a year (see paragraph 59 of Financial Statement for 1882-83). In reality, the revenue shows a moderate but steady tendency to increase, especially in Bengal, where re-valuations are taking place. A glance at the figures is sufficient to show that no case of extravagant expenditure during the last three years can be made out. The average expenditure for the 10 years ending with 1880-81 (column 4) was 2·2 per cent. of the gross revenue after deduction of Refunds (column 3). In 1881-82 the percentage was only 1·84. In 1882-83 the percentage is estimated at 1·91, and in 1883-84 at 1·90. The expenditure has, in fact, been growing at a less rapid rate than the revenue.

23. The increase of expenditure in 1881-82 over that of 1880-81 occurs almost entirely in Bengal, where, as I have already mentioned, re-valuations are in progress. The estimated expenditure of 1882-83 and 1883-84 is less than the actual expenditure of 1881-82 by 2,000 *l.*

24. ASSESSED TAXES.

000s omitted.

£. 1 = R. 10.

Y E A R.	Gross Revenue.	Refunds.	Revenue, after deduction of Refunds.	Expenditure.	Net Revenue. Difference of Columns 3 and 4.
	1.	2.	3.	4.	5.
	£.	£.	£.	£.	£.
1871-72 - - - - -	852	25	827	30	797
1872-73 - - - - -	602	6	596	13	583
1873-74 - - - - -	34	3	31	2	29
1874-75 - - - - -	20	2	18	-	18
1875-76 - - - - -	15	-	15	-	15
1876-77 - - - - -	15	-	15	1	14
1877-78 - - - - -	103	4	99	1	97
1878-79 - - - - -	901	26	875	38	837
1879-80 - - - - -	785	59	726	30	696
1880-81 - - - - -	559	31	528	21	507
TOTAL - - - - £.	3,885	156	3,729	136	3,593
Average - - - -	389	16	373	14	359
1861-82 - - - - -	537	29	508	13	495
1882-83 (Revised Estimate) -	526	22	504	14	490
1883-84 (Budget Estimate) -	523	19	504	14	490

25. This is a case in which any comparison with the average of preceding years is peculiarly fallacious. It is impossible, for instance, to make any comparison between the figures for the year 1881-82, when the present License Tax was in existence, and those for 1871-72, when there was an Income Tax, or those for 1874-75, when there was no direct taxation at all, or those for 1878-79, when the License Tax was levied under a different system from that which now exists. It is clear, however, that there has been no increase of expenditure. On the contrary, as compared with the year 1880-81, when the License Tax in its present form was in existence, there has been a reduction of expenditure (column 4) amounting to 8,000 *l.* in 1881-82, and to 7,000 *l.* in each of the years 1882-83 (Revised Estimate) and 1883-84 (Budget Estimate). Certain establishments were, in fact, abolished after the revision of assessments in 1880-81.

26. It will be seen that the revenue has been retrograding slightly since 1880-81. This is due to the fact that no special measures are taken to raise assesses to higher classes than those in which they were formerly taxed, or to bring under assessment persons who have for the first time become liable to assessment, whilst, at the same time, the progress of remission and reduction goes on steadily.

27. GENERAL CHARGES OF DISTRICT ADMINISTRATION.

000s omitted.

£. 1 = Rs. 10.

Y E A R.					Expenditure.	REMARKS.
					£.	
1871-72	-	-	-	-	2,808	
1872-73	-	-	-	-	2,825	
1873-74	-	-	-	-	2,867	
1874-75	-	-	-	-	2,865	
1875-76	-	-	-	-	2,951	
1876-77	-	-	-	-	2,899	
1877-78	-	-	-	-	2,943	
1878-79	-	-	-	-	2,960	
1879-80	-	-	-	-	2,937	
1880-81	-	-	-	-	2,984	
TOTAL - - - £.					29,039	
Average - - -					2,904	
1881-82	-	-	-	-	3,004	
1882-83 (a)	-	-	-	-	3,056	(a) Revised Estimate.
1883-84 (b)	-	-	-	-	3,212	(b) Budget Estimate.

28. The expenditure which is entered in the Comptroller General's statement as *General Charges of District Administration*—a title which I have adopted for the foregoing table—is the same as that which appears in the Accounts and Estimates as *Charges in respect of Collection of Land Revenue*. The nomenclature of the Comptroller General is, indeed, the more accurate of the two. The following extract from Sir John Strachey's recent work* will explain why the expenditure entered under *Charges in respect of Collection of Land Revenue* does not accurately represent the amount spent in collecting the Land Revenue :—

“ The head *Land Revenue* has been exhibited in the statements given in the Appendix, both on the Revenue and Expenditure side of the account, instead of appearing net on the Revenue side only, because the expenditure recorded under the head *Land Revenue* does not truly or exclusively represent the cost of collecting that revenue, but is incurred, to a large extent, for the internal general administration. There are numerous departments of the public service which are administered by the Collectors of the Land Revenue, the connection of which with that revenue is only indirect. The greater part of the direct charges connected with the actual collection of the Land Revenue does not appear in the accounts at all.† They form a part of the village expenses, and in most provinces, though assessed with the Land Revenue, are paid directly by the landholders to the village servants. A portion of the salaries of the District Officers is now shown under the head *Law and Justice*, on the ground that they have also magisterial duties to perform, the division of the charges between *Land Revenue* and *Law and Justice* being, however, quite arbitrary. In most provinces a moiety is charged under each head, but in Madras four-fifths is charged to *Land Revenue*, and one-fifth to *Law and Justice*. These arrangements are complicated and misleading, and it would be an improvement if the expenditure on account of the salaries of the District Officers and their establishments, now recorded under *Land Revenue* and *Law and Justice*, were shown under the general head *Administration*.”

29. It is for the reason thus stated by Sir John Strachey that I did not give the net Land Revenue in paragraph 9.

30. It will be seen on reference to the table in paragraph 27 that, although the expenditure of one year has been occasionally less than that of the year immediately preceding, the general tendency has been towards an increase of expenditure. This is only what is to be expected. As the land revenue grows, the cost of collection must of necessity also grow; and, moreover, as population increases and the material development of the country proceeds, an increase of expenditure on account of District Administration is unavoidable.

31. In 1871-72 the expenditure stood at 2,808,000 l. In 1880-81 it stood at 2,984,000 l. The increase was, therefore, 176,000 l. in nine years, or at the rate of about 20,000 l. a year.

32. In

* *The Finances and Public Works of India*, p. 38.

† Since Sir John Strachey wrote this, charges on account of collection in Oudh, amounting to about 85,000 l. a year, have been added to the Government expenditure.

32. In 1881-82 the expenditure was 3,004,000 *l.* This is 100,000 *l.* above the average expenditure of the 10 years ending with 1880-81, but only 20,000 *l.* above the expenditure of 1880-81 (2,984,000 *l.*). In other words, the normal rate of growth was preserved. Of this increase, moreover, 6,000 *l.* occurred in Burmah under the head of *Commissions on Land Revenue Collections*. Of course, as the Land Revenue increases, the amount paid on account of commissions must also increase. An increase of expenditure under this head is no matter for regret. Some heavy arrears were collected in Burmah in 1881-82. The total amount collected in 1880-81 was 899,000 *l.* In 1881-82 it was 1,052,000 *l.*

33. The expenditure in 1882-83 is estimated at 3,056,000 *l.* If we allow 20,000 *l.* a year as the normal growth, the expenditure should have been 3,024,000 *l.* The increase was, therefore, 32,000 *l.* in excess of what might have been expected, judging from the experience of past years. The total increase over 1880-81 is 72,000 *l.*

34. This increase is partly due to further heavy collections of arrears of Land Revenue in Burmah. The estimated amount to be paid on *Commissions* in Burmah is 14,000 *l.* in excess of the expenditure of 1880-81. An increase of expenditure on this account is, as I have already pointed out (paragraph 32), no matter for regret. The cost of *Allowances to District and Village Officers* in Madras, which are paid from local funds, is 15,000 *l.* in excess of that of 1880-81. These payments had been allowed to fall into arrear. An increase of 25,000 *l.* is due to the reorganisation of the subordinate executive services. The increase on this latter account was only partially felt in 1882-83, as in many provinces the reorganisation was not carried out till 1883-84. As to the necessity of this reorganisation, I dealt so fully with the question in the Financial Statement for 1882-83 (paragraphs 22-36), that I need say very little now.* The necessity was, I think, universally recognised. The total additional cost of reorganising the subordinate executive services only will be about 45,000 *l.* a year, of which, as I have already explained (paragraph 28), a portion is debited to *Land Revenue*, and a portion to *Law and Justice*. The money will be well spent. It is a mistake to suppose that it is economical to employ officials on very low salaries to perform highly responsible duties. Yet this is what was frequently done before the reorganisation took place.

35. The estimated expenditure of 1883-84 is 3,212,000 *l.* This amount is 156,000 *l.* in excess of the estimated expenditure of 1882-83 (3,056,000 *l.*), and 228,000 *l.* in excess of the expenditure of 1880-81 (2,984,000 *l.*). Taking the normal rate of growth at 20,000 *l.*, the expenditure, by comparison with 1880-81, should have been 3,044,000 *l.* It is estimated at 168,000 *l.* in excess of that amount. The increase is due to the following causes.

36. It was explained in the Financial Statement for 1882-83 (paragraphs 60-63), that formerly patwaris and kanungoes in Oudh were paid by the landlords. In March 1882 it was resolved that for the future they should be paid by the State. This transaction was really tantamount to a remission of taxation, which took the form of increased State expenditure. The amount of taxation thus remitted was 75,000 *l.* a year.†

37. The real increase of expenditure over 1880-81 was not, therefore, 228,000 *l.*, as stated in paragraph 35, but (228,000 *l.*—75,000 *l.*) 153,000 *l.* This increase is accounted for in the following manner.

38. The establishment of kanungoes taken over from the landlords in Oudh was altogether insufficient for purposes of supervision. I pointed out in the Financial Statement for 1882-83 (paragraph 61) that in Oudh there was only one kanungo for 258 villages. 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. It became necessary, therefore, to revise the establishment of kanungoes in Oudh, at a cost of about 10,000 *l.* a year.

39. I may here remark that it became also necessary to increase the establishment of patwar in the North-Western Provinces.

40. Settlement operations were commenced in two districts of the North-Western Provinces (Benares and Goruckpore), causing an increase of expenditure amounting to 14,000 *l.*

* Allusion was made to the importance of the classes affected by the reorganisation in the following terms:—"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. 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." (*Financial Statement for 1882-83*, paragraphs 23-24.) The Famine Commissioners also said (*Report*, Part II., page 105): "We think that the attention of the Government should be given to the improvement of the Subordinate Native Agency employed in the numerous Public Departments."

† Full provision for this amount was made in the Budget Estimate for 1882-83, but it was not found possible to carry out the change in its entirety until 1883-84. The Revised Estimate for 1882-83 was, therefore, to some extent reduced, but the full charge appears again in the Budget Estimate for 1883-84.

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14,000 l. The settlement of the Barak country and survey of the Hissar district, which were also undertaken in the Punjab, involved an additional expenditure of 4,000 l.

41. In Madras the payments on account of *Allowances to District and Village Officers* were 21,000 l. in excess of those of 1880-81. These payments, as I have already mentioned (paragraph 34), had been allowed to fall into arrear. A new district (Anantapur) was also created in Madras, causing additional expenditure to the extent of 7,000 l.* There was also in Madras an increase of 11,000 l. for "Land settlement charges."

42. The estimated increase of 228,000 l. in 1883-84 over the actual expenditure of 1881-82 may, therefore, be accounted for in the following manner :—

	£.
Remission of taxation in Oudh - - - - -	75,000
Revision of Patwari and Kunungo establishments in Oudh - - - - -	10,000
New settlement operations (Benares, Goruckpore, Barak)	18,000
Allowances to district and village officers in Madras - - -	21,000
Creation of a new district in Madras - - - - -	7,000
Additional land settlement charges in Madras - - - - -	11,000
Reorganisation of the subordinate executive service, about	30,000
Other causes - - - - -	56,000
TOTAL - - - £.	228,000

Bb.—REVENUE AND EXPENDITURE ADMINISTERED BY SEPARATE DEPARTMENTS.

43. OPIUM.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Gross Revenue.	Refunds.	Revenue, after deduction of Refunds.	Expenditure.	Net Revenue. Difference of Columns 3 and 4.
	1.	2.	3.	4.	5.
	£.	£.	£.	£.	£.
1871-72 - - - - -	9,254	-	9,254	1,597	7,657
1872-73 - - - - -	8,685	-	8,685	1,814	6,871
1873-74 - - - - -	8,325	-	8,325	2,001	6,324
1874-75 - - - - -	8,557	-	8,557	2,342	6,215
1875-76 - - - - -	8,472	1	8,471	2,219	6,252
1876-77 - - - - -	9,122	-	9,122	2,842	6,280
1877-78 - - - - -	9,183	-	9,183	2,661	6,522
1878-79 - - - - -	9,399	2	9,397	1,699	7,698
1879-80 - - - - -	10,319	2	10,317	2,068	8,249
1880-81 - - - - -	10,480	-	10,480	2,029	8,451
TOTAL - - - £.	91,796	5	91,791	21,272	70,519
Average - - -	9,180	5	9,179	2,127	7,052
1881-82 - - - - -	9,862	2	9,860	2,057	7,803
1882-83 (Revised Estimate) - - -	9,562	-	9,562	2,345	7,217
1883-84 (Budget Estimate) - - -	9,200	-	9,200	2,165	7,035

44. I dealt so fully with the opium question in the Financial Statement for 1882-83 (paragraphs 135-193), and in the statement for 1883-84 (paragraphs 195-207), that I need not refer to it at any length now. I will only say that the expenditure is mainly governed by causes which are wholly beyond the control of Government; and further, that a low expenditure is a matter for regret, as it shows that there has been a short poppy crop in Bengal,

* The Famine Commissioners (*Report, Part II, Chap. 2*) said—"The efficiency of the administration in the Madras Presidency suffers also from the large area of some of its districts, which are more than double the size of the districts in other provinces. We trust that further delay will not be permitted, but that what is requisite will be speedily done, since it is impossible to doubt the urgent necessity for the change."

† I have not gone into the precise distribution of this charge between *Land Revenue* and *Law and Justice*, which would be a complicated matter to calculate out; but, as I have already said (paragraph 34), the total cost is 45,000 l., of which I have allowed 30,000 l. to *Land Revenue*.

Bengal, and that, therefore, a diminished revenue in subsequent years is to be anticipated. As a matter of fact, the expenditure (column 4) in 1881-82 fell below the average of the 10 preceding years by 70,000 *l.*; and, although the estimated expenditure in 1883-84 is entered as 2,165,000 *l.*, being 38,000 *l.* in excess of the average, I do not doubt that, owing to the fact that the crop has turned out worse than was anticipated last March, the expenditure will be considerably below the average. In 1882-83 the expenditure (2,345,000 *l.*) was higher than that of 1881-82, because the poppy crop was somewhat better than the average. But the Government cannot take credit for economical administration if the expenditure is low, neither can any charge of extravagance be made if the expenditure is high.

45. Provision has been made in the estimates for 1883-84 for a sum of 5,800 *l.*, being the cost of reorganising the subordinate establishments in Bengal. A revision of the scale of salaries was strongly recommended by the Local Government, and there can be no doubt that it was much required. In all probability the increase of revenue, which will result from greater efficiency, will more than cover the additional expenditure.

46. SALT.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Gross Revenue.	DEDUCTIONS.		Total Deductions	Revenue, after deduction. Difference of Columns 1 and 4.	Expenditure (including Cost of Production).	Net Revenue. Difference of Cols. 5 and 6.
		Refunds.	Assignments and Compensations				
	1.	2.	3.	4.	5.	6.	7.
	£.	£.	£.	£.	£.	£.	£.
1871-72 - - - -	5,968	34	44	78	5,890	478	5,412
1872-73 - - - -	6,167	46	45	91	6,076	478	5,598
1873-74 - - - -	6,153	26	45	71	6,082	480	5,602
1874-75 - - - -	6,229	30	45	75	6,154	464	5,690
1875-76 - - - -	6,246	38	45	83	6,163	509	5,654
1876-77 - - - -	6,306	31	45	76	6,230	489	5,741
1877-78 - - - -	6,461	43	34	76	6,385	546	5,839
1878-79 - - - -	6,941	34	204	238	6,703	405	6,298
1879-80 - - - -	7,266	30	324	354	6,912	340	6,572
1880-81 - - - -	7,116	141	345	486	6,630	364	6,266
TOTAL - - - £.	64,853	452	1,176	1,628	63,225	4,553	58,672
Average - - -	6,485	45	118	163	6,322	455	5,867
1881-82 - - - -	7,376	45	311	356	7,020	486	6,534
1882-83 (Revised Estimate) -	6,129	50	353	403	5,726	499	5,227
1883-84 (Budget Estimate) -	6,167	25	360	375	5,792	540	5,246

47. It will be seen, on reference to column 3 of this table, that a large increase of expenditure under *Assignments and Compensations* took place in 1878-79 and 1879-80. Up to and including 1878-79 the expenditure under this head was generally about 45,000 *l.* a year. In 1878-79 it was 204,000 *l.* In 1879-80 it was 324,000 *l.* In 1880-81 it was 345,000 *l.* Since 1880-81 the average expenditure under this head is estimated at about 338,000 *l.* The large increase in 1878-79 was due to the abolition of the Northern Customs Line, which necessitated heavy payments being made to the Native Princes of Rajputana and Central India. The reform was one which conferred great benefits on the country. There was, moreover, no real increase of expenditure. On the contrary, it will be seen by reference to column 7 that the net revenue, which in 1877-78 stood at 5,839,000 *l.*, rose in 1878-79 to 6,298,000 *l.*

48. Turning to column 6, it will be seen that in 1881-82 the expenditure amounted to 486,000 *l.*, being 31,000 *l.* above the average of the preceding 10 years (455,000 *l.*), and 122,000 *l.* above the expenditure of the year 1880-81 (364,000 *l.*). Almost the whole of this increase is nominal. It is due to the following causes. Shortly before the commencement of the year 1881-82, a system of Government depôts was introduced in Northern India. Under this system the Government paid the carriage and freight of salt from the salt sources to the depôts, and added a corresponding charge to the selling price. The increase of expenditure is, therefore, balanced by a corresponding increase of revenue. The charge on account of "Salt Purchase and Freight" in Northern India in 1880-81 was only 2,040 *l.* The charge on account of "Carriage and Freight" in 1881-82 in Northern India was 75,135 *l.** This accounts for an increase of 73,095 *l.*, which, as I have already mentioned, is only nominal.

49. Again,

* See *Finance and Revenue Accounts* for the years 1880-81 (p. 30) and 1881-82 (p. 32).

49. Again, the charge on account of "Manufacture and Storage" in Northern India in 1880-81 was 9,263 *l.* This charge, of course, varies according to the yield of the salt sources. A low charge is a matter for regret, as it shows that a relatively small amount of salt has been turned out. The charge on this account in 1881-82 was 30,039 *l.* This accounts for an excess of 20,776 *l.* in 1881-82 over 1880-81.

50. The charge on account of "Cost of Purchase and Freight of Salt" in Bombay in 1880-81 was 16,114 *l.* This charge is, of course, also nominal, as the whole of it is recovered in the selling price of salt. The charge under the same head in 1881-82 was 29,970 *l.* This accounts for a further increase of 13,856 *l.* in 1881-82 over the expenditure of 1880-81.

51. The charge on account of "Petty Construction and Repairs" in Northern India for 1880-81 was only 3,439 *l.* The charge in 1881-82 was 18,851 *l.*, showing an increase of 15,412 *l.* The increase is due to the construction of sheds at the Sambhur lake and elsewhere, which were much required in order to preserve the salt from damage.

52. The total increase of expenditure in 1881-82 over 1880-81, which, as I have already mentioned (paragraph 48), was 122,000 *l.*, may, therefore, be accounted for as follows:—

	£.
Carriage and freight in Northern India - - -	73,095
Manufacture and Storage in Northern India - -	20,776
Cost of purchase and freight of salt in Bombay - -	13,856
Petty construction and repairs in Northern India -	15,412
TOTAL - - - £.	123,139

53. The estimated expenditure of 1882-83 is 499,000 *l.*, being 13,000 *l.* in excess of that of 1881-82 (486,000 *l.*). The increase is mainly the net result of the following changes. In Madras there is an increase of 24,000 *l.*, mainly due to the reorganisation of the Salt Department, to which I will presently allude (paragraph 55). In Bombay there is an increase of 5,700 *l.*, mainly due to the creation of preventive establishments to check smuggling from the Kathiawar Peninsula into British territory. Negotiations with the Kathiawar Princes, with a view to the possible suppression of the salt sources in the Peninsula, were carried on for some while. Eventually it was decided that the salt sources should not be suppressed, but that the preventive establishments should be strengthened. These two charges, namely, 24,000 *l.* and 5,700 *l.*, account for an increase of 29,700 *l.* On the other hand, there has been a nominal decrease of expenditure in Northern India of 20,700 *l.*, due to the partial abandonment of the depôt system, to which I have already alluded (paragraph 48). The net result of these, and some other minor changes to which I need not allude, is that the estimated expenditure of 1882-83 has been increased by 13,000 *l.* over that of 1881-82.

54. The estimated expenditure in 1883-84 is 546,000 *l.*, being 47,000 *l.* in excess of the estimated expenditure in 1882-83 (499,000 *l.*). This increase is due to the following causes.

55. I have already mentioned (para. 53) that there is an estimated increase of expenditure in Madras in 1882-83 over 1881-82 amounting to 24,000 *l.*, on account of increased preventive establishments. There is a further estimated increase on this account in Madras in 1883-84 over 1882-83, amounting to 23,000 *l.*, making a total in the two years of 47,000 *l.* A portion of this increase, however, is only nominal. Establishments formerly belonging to the Police, which undertook preventive duty, have been absorbed into the establishments of the Salt Department. There has been in Madras a decrease under the head of *Police* to the extent of 12,000 *l.* a year. The real net increase, therefore, is not 47,000 *l.* in the two years, but (47,000 *l.*—12,000 *l.*) 35,000 *l.* It cannot be doubted that in past years there has been a very large illicit consumption of salt in the Madras Presidency, and there is every prospect that the strengthening of the preventive establishments will lead to an increase of revenue. In the Financial Statement for 1883-84 (paras. 101 and 106), I alluded to the large increase in the consumption of salt in Madras, amounting in the 11 months from 1st March 1882 to 31st January 1883 to no less than 14.29 per cent. over the corresponding period of the previous years. This increase is, of course, partly due to the reduction of duty, and also partly to the fact that Madras salt has to some extent displaced the salt heretofore supplied from Pooree in Orissa. It cannot be doubted, however, that a portion of this increase is due to the increased efficiency of the preventive establishments, and it may reasonably be expected that when the reorganisation is complete the licit consumption of salt in Madras will

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grow even more rapidly than at present. The following figures show the increase of consumption since 1st March 1882, as compared with the corresponding period of the year 1881-82 :—

Period.	Thousands of Maunds.	Period.	Thousands of Maunds.
1 March 1881 to 31 January 1882 -	5,604	1 March 1882 to 31 January 1883 -	6,405
February 1882 - - - -	577	February 1883 - - - -	631
March " - - - -	695	March " - - - -	727
April " - - - -	567	April " - - - -	609
May " - - - -	567	May " - - - -	757
June " - - - -	548	June " - - - -	579
TOTAL of 16 months -	8,558	TOTAL of 16 months -	9,708

These figures, which show an increase of consumption of 13·44 per cent. in 16 months, are quite sufficient to justify the increase of expenditure on preventive establishments in Madras.

56. In Bombay there is an estimated increase in 1883-84 of 43,000 *l.* over the expenditure of 1882-83. Of this amount 18,000 *l.* is for the purchase and freight of salt, which will be recovered in the selling price, and 20,000 *l.* is due to full provision having been made for the preventive establishments across the Kathiawar Peninsula, and to the fact that Maharajah Holkar is in future to receive payment in money in the place of salt in kind. The balance is due to increase in salaries, establishments, and contingencies.

57. The increase in Madras (23,000 *l.*) and in Bombay (43,000 *l.*) over the estimated expenditure of 1882-83 accounts for a total increase of 66,000 *l.* On the other hand, there has been a further reduction of 27,000 *l.* in Northern India, owing to the partial abandonment of the depôt system. These, together with some other minor changes to which I need not refer, account for a net increase of 47,000 *l.* in the estimated expenditure of 1883-84 over that of 1882-83.

58. Turning to the question of net revenue, I have to observe that I dealt so fully with this question in the Financial Statement for 1883-84 (paras. 95-116) that I need say very little about it now. It is obvious that the recent changes which have been made in the rate of duty render it impossible to make any valid comparison with the net revenue of former years. It is equally obvious that any comparison on the basis of the relative percentage of the gross revenue spent on collection would in this case be wholly fallacious.

59. It will be sufficient to say that in 1881-82 the net revenue was 6,534,000 *l.*, being 268,000 *l.* above the net revenue of 1880-81 (6,266,000 *l.*), and in excess of the net revenue of every previous year except 1879-80, in which year it amounted to 6,572,000 *l.* This result is specially satisfactory, because, as the duty was lowered on 10th March 1882, that is to say, three weeks before the financial year expired, a diminution of revenue might have been expected in 1881-82 as compared to 1880-81. But the large wholesale purchases which followed immediately on the reduction of duty more than recouped any anticipated loss during the last three weeks of the year. These large purchases, however, as I mentioned in the Financial Statement for 1883-84 (para. 112), tended somewhat to diminish the revenue of 1882-83.

60. The estimated net revenue of 1882-83 is 5,227,000 *l.* The large fall (1,307,000 *l.*), as compared with the net revenue of 1881-82 (6,534,000 *l.*), is of course due to the reduction of duty. The net revenue, according to the Revised Estimate of 1882-83, is 219,000 *l.* in excess of the original Budget Estimate.* We now know from the preliminary actuals that the gross revenue of 1882-83 was about 50,000 *l.* in excess of the Revised Estimate, whilst the expenditure was about 50,000 *l.* less than the Revised Estimate. The net result for the year 1882-83 will therefore be about 100,000 *l.* better than the Revised Estimate.

61. The net revenue for 1883-84 is taken at 5,246,000 *l.*, being only 19,000 *l.* in excess of the Revised Estimate of 1882-83 (5,227,000 *l.*). Up to the end of the month of June the quantity of salt which paid duty was 7,950,000 maunds, as compared with 8,078,000 maunds

* See Statement X. in Appendix II. attached to the Financial Statement for 1883-84. This calculation does not take account of deductions on account of *Refunds* or on account of *Assignments and Compensations* in either of the two years under comparison.

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maunds in the corresponding period of 1882-83. The amount of gross revenue realised was 1,537,000 *l.*, as compared with 1,552,000 *l.* in the corresponding period of last year. The revenue fell off somewhat during the early part of the financial year, by reason mainly of the large amount of salt which paid duty in March 1883. But it has recently shown a tendency to recover, and I do not doubt that the estimate will be more than realised.*

62. CUSTOMS. £. 1 = Rs. 10.

000 *s* omitted.

Y E A R.	Gross Revenue. 1.	Refunds. 2.	Revenue, after Deduction of Refunds. 3.	Expenditure. 4.	Net Revenue. Difference of Columns 3 and 4. 5.
	£.	£.	£.	£.	£.
1871-72	2,579	51	2,528	187	2,341
1872-73	2,658	72	2,586	183	2,403
1873-74	2,636	71	2,565	187	2,378
1874-75	2,682	73	2,609	187	2,422
1875-76	2,724	66	2,658	188	2,470
1876-77	2,484	62	2,422	202	2,220
1877-78	2,624	67	2,557	207	2,350
1878-79	2,327	65	2,262	200	2,062
1879-80	2,281	53	2,228	201	2,027
1880-81	2,540	62	2,478	199	2,279
TOTAL	25,535	642	24,893	1,941	22,952
Average	2,553	64	2,489	194	2,295
1881-82	2,361	73	2,288	195	2,093
1882-83 (Revised Estimate)	1,265	55	1,210	156	1,054
1883-84 (Budget Estimate)	1,255	37	1,218	144	1,074

63. The expenditure of the year 1881-82 (195,000 *l.*) was almost exactly equal to the average expenditure of the 10 years ending with 1880-81 (194,000 *l.*). It was less than that of any year since 1875-76. The estimated expenditure in 1882-83 (156,000 *l.*) and in 1883-84 (144,000 *l.*) is considerably below the average of the 10 years ending with 1880-81 (194,000 *l.*). This was, of course, due to the abolition of the import duties at the end of 1881-82, which enabled the Customs Establishment to be considerably reduced. There is, however, an increase of about 12,000 *l.* a year for pensions, and a temporary increase of 23,000 *l.* in 1882-83 and about 2,000 *l.* in 1883-84 for gratuities, due to the pensions and gratuities granted in consequence of the reductions. These charges appear under *Superannuations*.

64. There has, of course, been a diminution in the net revenue. The main reason why the net revenue of 1881-82 (2,093,000 *l.*) fell below that of 1880-81 (2,279,000 *l.*) is that the import duties were abolished on 10th March 1882, so that the revenue for the last three weeks of the year 1881-82 was lost.

* From the preliminary actuals for July, which have now been received, it appears that the revenue up to 31st July 1883 was well ahead of the Budget Estimate.

65. FOREST.

000s omitted.

£. 1 = Rs. 10.

YEAR.	Gross Revenue.	Refunds.	Revenue, after Deduction of Refunds.	Expenditure.	Net Revenue. Difference of Cols. 3 and 4.
	1.	2.	3.	4.	5.
	£.	£.	£.	£.	£.
1871-72	518	7	511	360	151
1872-73	598	12	576	400	176
1873-74	640	5	635	404	231
1874-75	599	2	597	444	153
1875-76	698	3	695	420	275
1876-77	617	2	615	458	157
1877-78	679	3	676	440	236
1878-79	605	1	604	455	149
1879-80	676	2	674	465	209
1880-81	709	5	704	466	238
TOTAL - - - £.	6,329	42	6,287	4,312	1,975
Average - - -	633	4	629	431	198
1881-82	874	2	872	558	314
1882-83 (Revised Estimate) -	922	2	920	587	333
1883-84 (Budget Estimate) -	936	3	933	677	256

66. The average gross revenue, after deducting Refunds (column 3), for the 10 years ending 1880-81, was 629,000 *l.* The average expenditure (column 4) was 431,000 *l.*, being about 68.5 per cent. of the gross revenue. The average net revenue (column 5) amounted to 198,000 *l.* In 1881-82 the expenditure was 558,000 *l.*, being 127,000 *l.* in excess of the average of the preceding 10 years, and 92,000 *l.* in excess of the expenditure of 1880-81, which was the last year of the decade. On the other hand, the gross revenue, after deduction of Refunds, was 872,000 *l.*, being 243,000 *l.* in excess of the average gross revenue of the decade, and 168,000 *l.* in excess of the gross revenue of 1880-81. The expenses were about 64 per cent. of the gross revenue, after deduction of Refunds. The net revenue of 1881-82 amounted to 314,000 *l.*, being 116,000 *l.* in excess of the average of the decade, and 76,000 *l.* in excess of the year 1880-81.

67. In 1882-83 the estimated expenditure (column 4) is higher than in any previous year. It amounts to 587,000 *l.*, being 156,000 *l.* in excess of the average of the decade (431,000 *l.*), and 121,000 *l.* in excess of the expenditure of the year 1880-81 (466,000 *l.*). On the other hand, the gross revenue, after deducting Refunds (column 3), is estimated at 920,000 *l.*, being 291,000 *l.* in excess of the average of the decade (629,000 *l.*), and 216,000 *l.* in excess of the gross revenue of 1880-81 (704,000 *l.*). The expenditure is estimated at 63.9 per cent. of the gross revenue after deduction of Refunds. The net revenue is estimated at 333,000 *l.*, being 135,000 *l.* in excess of the average of the decade (198,000 *l.*), 95,000 *l.* in excess of the net revenue of the year 1880-81 (238,000 *l.*), and 19,000 *l.* in excess of the net revenue of the year 1881-82 (314,000 *l.*). This rise of net revenue took place in spite of the duty on timber which comes down the Salween river, having been reduced in January 1882 from 7 to 1 per cent.,* thus sacrificing revenue which, at the time the change was made, was estimated at about 25,000 *l.* a year. (See Financial Statement for 1882-83, para. 53).

68. It will be seen that the net revenue of 1883-84 is estimated at 256,000 *l.*, which, although higher than any year (except 1875-76) prior to 1881-82, is less than the net revenue of 1881-82 (314,000 *l.*) by 58,000 *l.*, and less than the estimated net revenue of 1882-83 (333,000 *l.*) by 77,000 *l.* The decrease occurs almost entirely in Burmah, Madras, and Bombay. The Burmah estimate of net revenue, which is 36,000 *l.* below the Revised Estimate of 1882-83, is a very low one, and will very probably be exceeded. We now know that the actuals for 1882-83 in Burmah will be about 11,000 *l.* better than the Revised Estimate. There was, however, a very active demand for timber in 1882-83, and prices were high. The Forest Department did not consider it prudent, in framing a Budget Estimate, to rely on so active a demand and on such high prices continuing during 1883-84. Also, no credit has been taken for timber which may be supplied to the Gun Carriage Factories at Madras, Bombay, and Fatehghurh. In Bombay, also, the gross

* This duty has since been reduced to 1/4 per cent. It is not kept up for revenue purposes, but is merely meant as a fee to support an establishment which is useful to the trade.

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gross revenue (194,000 l.) has been taken at a low figure, being only 1,000 l. in excess of the Revised Estimate for 1882-83 (193,000 l.). On the other hand, provision has been made for an expenditure of 140,000 l., being 19,000 l. in excess of the Revised Estimate for 1882-83 (121,000 l.). The actuals will probably give a better net result than the estimate. The increase of expenditure in Bombay is for compensations for lands and rights, for purchases of forests, for surveys, for reboisement of denuded lands, of which there is a large area, for works connected with the demarcation, improvement, and extension of forests, and for increased establishments. I do not doubt that the expenditure of this money will ultimately cause an increase of net revenue. In Madras the gross revenue for 1883-84 has been taken at 92,000 l., being 5,000 l. in excess of that of 1882-83 (87,000 l.). The expenditure is also taken at 92,000 l., being 24,000 l. in excess of that of 1882-83 (68,000 l.). In consequence of the unsatisfactory state of the forest administration in Madras for years past, the Government of India recommended, and the Secretary of State sanctioned, the entire reorganisation of the Forest Department in that Presidency. It was expected that the effect of this reorganisation would be to reduce the revenue and expenditure to equilibrium during the five years from 1883-84 to 1887-88, both inclusive. The Madras Budget Estimate for 1883-84 has accordingly been framed on this basis.*

69. REGISTRATION.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Gross Revenue.	Refunds.	Revenue, after deduction of Refunds.	Expenditure.	Net Revenue. Difference of Cols. 3 and 4.
	1.	2.	3.	4.	5.
	£.	£.	£.	£.	£.
1871-72 - - - - -	158	- -	158	111	47
1872-73 - - - - -	178	- -	178	118	60
1873-74 - - - - -	182	- -	182	122	60
1874-75 - - - - -	185	1	184	130	54
1875-76 - - - - -	188	1	187	136	51
1876-77 - - - - -	199	- -	199	142	57
1877-78 - - - - -	234	- -	234	150	84
1878-79 - - - - -	266	- -	266	161	105
1879-80 - - - - -	269	1	268	165	103
1880-81 - - - - -	281	2	279	173	106
TOTAL - - - £.	2,140	5	2,135	1,408	727
Average - - -	214	5	214	141	73
1881-82 - - - - -	285	2	283	179	104
1882-83 (Revised Estimate) - -	285	2	283	185	98
1883-84 (Budget Estimate) - -	281	2	279	186	93

70. The figures for 1882-83 are those for the Revised Estimate, and we now know that the actuals will be slightly better than the estimate. The figures for 1883-84 are those for the Budget Estimate. The actuals will very probably show an improvement. The estimated falling-off of revenue in 1883-84 is only nominal. It has been mainly brought about by a change introduced by the North-Western Provinces Government in the

* The Famine Commissioners said (*Report*, Part II., page 178): "It is much to be regretted that the introduction of a Forest law has been so long deferred in Madras, and we trust that measures for protecting the existing forest tracts from denudation and for obtaining power to reserve suitable areas for pasture, which may be so important in their relation to future seasons of drought, will speedily be undertaken in Madras, with the same energy and judgment which is being displayed elsewhere."

the system of collecting fees for inspecting and copying judicial documents. This change has caused the transfer of about 7,000 *l.* from *Registration* to *Stamps*. Since 1881-82 a more efficient system for controlling the Revenue Record Room receipts and charges in the North-Western Provinces has been introduced, at an increased cost of about 4,000 *l.* a year. The working of the Deccan Agriculturists Act in Bombay has also led to increased expenditure and diminished receipts in that Province. The average expenditure (column 4) for the 10 years ending 1880-81 (141,000 *l.*) was 65.9 per cent. of the average gross revenue, after deduction of Refunds (column 3, 214,000 *l.*). The expenditure of 1881-82 (179,000 *l.*) was 63.2 per cent. of the gross revenue, after deduction of Refunds (283,000 *l.*). In 1882-83 the per-centage is estimated at 65.3. In 1883-84 the estimated per-centage is 66.6, but by reason of the transfer of revenue to *Stamps* in the North-Western Provinces, to which I have already alluded, a comparison in this case would be fallacious. The figures under *Registration* are not altogether satisfactory. The expenditure has been growing since 1871-72 at the rate of about 6,000 *l.* a year, whilst since 1878-79 the revenue has remained almost stationary. It is, however, to be borne in mind that it is not the policy of the Government to regard *Registration* as a source of revenue.

71. TRIBUTES.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Gross Revenue.	DEDUCTIONS.		TOTAL Deductions.	Net Revenue. Difference of Columns 1 and 4.
		Goa Convention.	Transit Duties.		
	1.	2.	3.	4.	5.
	£.	£.	£.	£.	£.
1871-72	744	-	30	30	714
1872-73	741	-	28	28	713
1873-74	769	-	41	41	728
1874-75	723	-	35	35	688
1875-76	726	-	49	49	677
1876-77	695	-	28	28	667
1877-78	675	-	25	25	650
1878-79	704	-	37	37	667
1879-80	703	-	39	39	664
1880-81	712	49	50	99	613
TOTAL - - - £.	7,224	49	362	411	6,813
Average - - -	722	5	36	41	681
1881-82	707	46	44	90	617
1882-83 (Revised Estimate)	710	59	41	100	610
1883-84 (Budget Estimate)	701	65	49	114	587

72. The revenue under this head may practically be said to be stationary. The amount received is in almost all cases fixed by treaty. The variations are due to the fact that occasionally the full amount due in the year is not paid, and the arrears have to be recovered in some subsequent year.

73. In the note, dated 20th June 1883, attached to his tabular Statement of Net Accounts and Estimates (Appendix III.), the Comptroller General has explained why those portions of the charges under *Assignments and Compensations*, which are due to payments on account of the "Goa Convention" and on account of "Transit Duties," are deducted from this head. The main reason why the net revenue of 1881-82, 1882-83, and 1883-84, falls below that of preceding years is on account of the deductions made for payments under the Goa Convention.

74. In this, as in all other cases, cautious estimates have been made of the revenue and expenditure of 1883-84, and it is very possible that the result will turn out better than the Budget Estimate.

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C.—POST OFFICE, TELEGRAPH AND MINT.

75. POST OFFICE.

'000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	Revenue.	Net Revenue + or Expenditure—	REMARKS.
	1.	2.	3.	
	£.	£.	£.	
1871-72	737	821	+ 84	
1872-73	766	580	— 186	
1873-74	883	688	— 195	
1874-75	884	740	— 144	
1875-76	903	766	— 137	
1876-77	919	797	— 122	
1877-78	904	851	— 113	
1878-79	1,033	912	— 121	
1879-80	1,145	1,004	— 141	
1880-81	1,175	1,019	— 156	
TOTAL - - - £.	9,409	8,178	—1,231	
Average - - - -	941	818	— 123	
1881-82	1,148	950	— 198	
1882-83 (Revised Estimate)	1,187	980	— 207	
1883-84 (Budget Estimate)	1,223	1,011	— 212	

76. Mr. Stanhope alluded specifically in the course of his speech to the increased expenditure on account of the Post Office. I propose, therefore, to examine this item at some length.*

77. It will be seen that, except in the year 1871-72, when the Post Office gave a net revenue of 84,000 L., the expenditure has in each year been in excess of the revenue. The average net expenditure during the 10 years ending with 1880-81 was 123,000 L. The net expenditure in 1881-82 was 198,000 L., being 75,000 L. in excess of the average of the decade (123,000 L.), and 42,000 L. in excess of the net expenditure of 1880-81 (156,000 L.). The estimated net expenditure in 1882-83 is 207,000 L., being 84,000 L. in excess of the average of the decade (123,000 L.), and 9,000 L. in excess of the net expenditure of 1881-82 (198,000 L.). The estimated net expenditure in 1883-84 is 212,000 L., being 89,000 L. in excess of the average of the decade (123,000 L.), and 5,000 L. in excess of the estimated net expenditure of 1882-83 (207,000 L.).

78. The causes which have led to this increase of expenditure are shown in the following tabular statement:—

'000s omitted.

£. 1 = Rs. 10.

	1881-82.	1882-83.	1883-84.
	£.	£.	£.
Purely Postal Departments - - - -	21	30	30
Non-postal Branches, i.e., Bullock Train and Passenger Service - - - - -	15	8	7
Home Charges - - - - -	16	20	21
Biluchistan Agency - - - - -	-	11	11
District Dak Charges - - - - -	23	15	20
TOTAL - - - £.	75	84	89

Each of these divisions calls for some remarks.

79. The

*Mr. Stanhope is reported to have said (*Hansard*, Vol. CCLXXIX., p. 271) that "comparing 1880-81 with the present year"—that is to say, I imagine, 1883-84—"the expenditure on the Post Office and Telegraph had increased by 274,000 L." This figure is not quite correct. The expenditure in 1880-81 on the Post Office was 1,175,505 L. The estimated expenditure in 1883-84 is 1,222,800 L. The increase under Post Office is, therefore, 47,295 L. The expenditure on the Telegraph in 1880-81 was 497,834 L. The estimated expenditure in 1883-84 is 741,600 L. The increase under Telegraph is, therefore, 243,766 L. The total increase was, therefore, not 274,000 L., as stated by Mr. Stanhope, but (243,766 L. + 47,295 L.) 291,061 L.

Purely Postal Departments.

79. The tendency of the Post Office is to advance the interests of the public by curtailing the profits of the Department. Three steps in this direction have been taken within the last three years, the nature of which, together with the estimated loss they have occasioned, are shown in the following abstract:—

000s omitted. £ 1. = Rs 10.

	1881-82.	1882-83.	1883-84.
	£.	£.	£.
Reduction of the minimum weight of parcels from 8 annas for 40 tolas to 4 annas for 20 tolas. Introduced on 1st August 1880.	7	5	4
Reduction of registration fee on letters from 4 to 2 annas. Introduced on 1st August 1881.	13	24	22
Reduction of postage on newspapers not weighing more than 1½ oz. (3 tolas). Introduced on 15th November 1881.	3	5	5
TOTAL - - - £.	23	34	31

80. It will be seen that the excess over the average of the 10 years ending with 1880-81 (see paragraph 78) is more than accounted for as regards each of the years concerned. Some idea of the expansion of the Department during the period under consideration will be obtained from the following figures:—

	1871-72.	1882-83.
Total number of Imperial Post Offices -	2,884	5,664
Total number of Imperial letter-boxes -	1,885	7,500
Total number of articles given out for delivery.	89,561,685	184,048,533

81. This expansion has necessarily caused an increase in the strength of the Postal Establishment, some of the heads of which are given below:—

	1871-72.	1882-83.
Number of Postal Circles - - - -	9	15
Superintendents and Inspectors - - -	141	314
Postmasters, Sub-and Branch-Postmasters -	2,365	4,576
Clerks - - - - -	1,979	4,356
Postmen, &c. - - - - -	6,021	9,216

82. The Post Office has also undertaken several new descriptions of business, viz:—

- (a.) Foreign Parcel Post.—This commenced with the United Kingdom in the year 1873, and now extends to numerous countries in Europe, to Ceylon, to British offices in China, and to the Straits Settlement. The total number of parcels sent under these exchanges during 1882-83 was 88,684.
- (b.) Value-payable System.—This system was introduced at the close of the year 1877. In 1882-83 the articles sent under this system numbered 174,509, the total value being nearly 170,000 £.
- (c.) Insurance began with the year 1878. The value of articles insured in 1882-83 amounted to 8,180,000 £.
- (d.) Money Orders.—In 1880 the Post Office undertook this business, and now maintains both a highly popular inland system and exchanges with 18 foreign countries.

countries. There are more than 5,000 money order offices in India. The number of orders issued in 1882-83 was about 2½ millions, and their total value exceeded 6,500,000 l.

- (e.) Post Office Savings Banks were first opened in April 1882. There are now nearly 5,000 banks open, more than 50,000 accounts, and a balance exceeding 400,000 l.
- (f.) Stock-Notes were sold through the agency of the Post Office, with effect from November 1882.
- (g.) India Postal Notes for fixed sums of money were first issued in January 1883.
- (h.) A scheme is now being elaborated for rendering the agency of the Post Office available for the extension of telegraph work. Every Post Office, where no telegraph staff exists, will receive telegraph messages. All postmasters will be available for the discharge of telegraph duties, and postage stamps will be received in payment of telegrams. This will no doubt lead to an apparent increase of net expenditure, as the revenue will not be credited to the Post Office, but to the Telegraph Department.

Non-Postal Branches.

83. On 1st April 1872 there were 62 bullock train offices in India, with a main line of communication from Calcutta to Peshawar, and numerous branches. Owing to the progress of railways, these lines have been gradually abolished, and there are now only nine such offices, and two small lines of communications. Notwithstanding that they were debited with extraneous charges connected with the District Post, these non-postal branches yielded a net surplus of about 14,000 l. a year during the 10 years ending with 1880-81. In 1881-82 there was a deficit of about 1,600 l. In 1882-83 there is an estimated surplus of about 6,000 l., and in 1883-84 an estimated surplus of about 6,600 l. An increase of revenue under *Railways* has, of course, resulted from the abolition of the bullock train service. These figures account for the excess expenditure shown in the table in paragraph 78.

Home Charges.

84. These are composed of four sub-divisions, viz. :—

- (1) India's contribution to the Peninsular and Oriental Steam Company's subsidy.
- (2) Subsidy to the Euphrates and Tigris Steam Navigation Company for the service between Basrah and Bagdad.
- (3) Salaries and travelling allowances of officers attending Conferences, &c., in Europe.
- (4) Stores for India.

85. It is under the last sub-division only that the increase of expenditure has taken place. These stores consist of postage-stamps, post-cards, and embossed envelopes. An increase of correspondence naturally calls for a larger supply of postage stamps. Moreover, the following new descriptions of articles have recently been introduced into India.

- (a) 9-pie envelopes for soldiers' letters, introduced in 1879-80.
- (b) Post-cards, inland and international, introduced in 1879-80.
- (c) 4½ anna embossed envelopes, for foreign correspondence, introduced in 1881-82.

86. Besides this, the consumption of half-anna embossed envelopes has enormously increased, the sales having risen from 106,921 in 1871-72 to 42,717,382 in 1881-82. The annual supply of these envelopes alone, now obtained from England, is 120,000 reams, or 57,600,000 envelopes. The number of inland post-cards used in 1882-83 is estimated at nearly 30 millions. Reply post-cards have recently been ordered from England which will add still further to the home charges. In a growing Department like the Post Office expenses of this description must always tend to increase.

Biluchistan Agency.

87. The estimated increase of 11,000 l. in 1882-83 and 1883-84 under this head (see table in paragraph 78) is only nominal. Formerly the postal charges connected with the Biluchistan Agency were debited to the head *Political*. From the commencement of 1882-83 they have been debited to *Post Office*.

District Daks Charges.

88. The increase under this head (see paragraph 78) is also nominal. The District Post in India is managed under the orders of the several Local Governments, not under those of the Director General of the Post Office. The various local cesses, which cover the cost of the District Daks, and which amount to about 100,000 l. a year, are credited to *Provincial Rates*. The charges, which come to about an equal amount, are debited to the

CORRESPONDENCE RELATING TO

Post Office. Any increase of charge under the latter head is met by a corresponding increase of revenue under *Provincial Rates*.

89. From these remarks it will be seen that the profits of the Post Office are subject to constant curtailment by reduction in the charges made to the public; that Railway extension is fast depriving the Department of the revenue derived from bullock train and passenger services; that the Post Office is further called upon to discharge new and obviously unremunerative classes of business, and that in respect to one important item (District Dāk charges) any increase of expenditure is balanced by increased receipts credited to another head of account. The tendency must be for the expenditure to increase faster than the revenue, and for the Post Office to be a spending and not a revenue-producing department.

90. Sir John Strachey says* :—“ The net cost of the Post Office was 33,409 L in 1869-70, and 153,000 L. † in 1880-81, an increase of 119,591 L. Its administration has been excellent. The development of the business performed by the Post Office, and of the efficiency of the service, is out of all proportion to the increase of charge. It has hitherto not been the policy of the Government to treat the Post Office as a source of revenue, but to use the constantly growing receipts in increasing the usefulness and efficiency of the department. In no country in the world are lower charges made than by the Indian Post Office for the many and great public services which it performs.”

91. I fully agree with Sir John Strachey. The Post Office is, in fact, one of the best and most economically conducted departments of the State. The apparent growth of net expenditure is either nominal, being due to transfers to and from other heads of account, or has been caused by a reduction of the charges made to the public.

92. TELEGRAPH.

000s omitted.

£. 1 = Rs. 10.

YEAR.	REVENUE.			EXPENDITURE.			NET REVENUE OR EXPENDITURE.			REMARKS.
	Capital Account.	Revenue proper.	TOTAL.	Capital Account.	Revenue proper.	TOTAL.	Expenditure on Capital Account. Difference of Columns 4 and 1.	Revenue + or Expenditure proper. Difference of Columns 2 and 5.	Total net Revenue + or Expenditure—Difference of Columns 3 and 6.	
	1.	2.	3.	4.	5.	6.	7.	8.	9.	
1871-72 -	£. (a)	£. (a)	£. 228	£. (a)	£. (a)	£. 450	£. (a)	£. (a)	£. - 222	(a) A separate Capital Account was not kept before 1872-73. The division of the expenditure in England has not been given in all cases between Capital and Revenue. The division adopted is therefore approximate.
1872-73 -	21	229	250	149	334	483	128	- 105	- 233	
1873-74 -	4	247	251	95	317	412	91	- 70	- 161	
1874-75 -	4	282	286	98	334	432	94	- 52	- 146	
1875-76 -	16	293	309	141	350	491	125	- 57	- 182	
1876-77 -	4	337	341	135	338	473	131	- 1	- 132	
1877-78 -	2	356	358	70	391	461	68	- 35	- 103	
1878-79 -	2	425	427	60	411	471	58	+ 14	- 44	
1879-80 -	2	504	506	54	398	452	52	+ 106	+ 54	
1880-81 -	2	537	539	100	393	498	98	+ 139	+ 41	
TOTAL (b) -	57	3,210	3,267	902	3,271	4,173	345	- 61	- 906	(b) These totals are for nine, not for ten, years. As the full details for 1871-72 cannot be given, the figures for that year have been excluded in adding up the totals and in striking the averages.
Average (b) -	6	357	363	100	363	453	94	- 6	- 100	
1881-82 -	2	467	469	105	431	536	103	+ 36	- 67	(c) Revised Estimate.
1882-83(c) -	7	514	521	169	488	657	162	+ 26	- 136	
1883-84(d) -	8	549	557	269	474	742	260	+ 75	- 185	

93. In dealing with the revenue and expenditure of the Indian Telegraph, it is to be borne in mind that the whole of the capital cost of construction has always been charged to

* *The Finances and Public Works of India*, p. 41.

† The correct figure for 1880-81 is 156,000 L. Sir John Strachey wrote before the accounts for 1880-81 were finally made up. His figures for that year were, therefore, based on the Revised Estimate.

to Revenue.* It is also to be borne in mind that considerable changes have been introduced into the tariff during the last two years: In July 1881 a tariff of 2 annas a word for each word in excess of the minimum group of six words for a rupee was introduced. In January 1882 the minimum group was raised to eight words for a rupee; and at the same time, in order to admit of messages being dealt with as far as possible in order of urgency instead of entirely in order of receipts, an "urgent" tariff at double rates and a "deferred" tariff at half rates was introduced. During the last three months of 1881-82, when the new tariff was in operation, 22 per cent. of the telegrams tendered on private account were at the cheaper or "deferred" rate.

94. In order to arrive at any accurate conclusions as to the financial results of the Telegraph, it is obviously necessary to separate revenue and expenditure proper from expenditure on capital account.

95. In the foregoing table, column 2 gives the revenue proper, column 5 the expenditure proper, and column 8 the net revenue or expenditure proper. It will be seen that up to and including the year 1877-78 the Telegraphs were worked at a loss. The next four years, that is to say from 1878-79 to 1881-82, were altogether abnormal. The receipts of the Telegraph Department in 1879-80 and in 1880-81 were largely, and those in 1878-79 and 1881-82 were slightly, affected by the Afghan War. Of course the receipts of the Telegraph Department on account of the war were balanced by a corresponding increase of expenditure under *Army*. There was therefore no real gain to the revenue.

96. The year 1882-83 may be regarded as normal. It will be seen that the net revenue is estimated at 27,000 *l.* The average net loss during the nine years from 1872-73 to 1880-81, both inclusive, was 6,000 *l.*, even after bringing to account the heavy nominal receipts on account of the war. The estimated net result of the year 1882-83 is, therefore, 33,000 *l.* better than the average of the nine years ending 1880-81, and far better than any preceding year which was unaffected by the war. I may add that the results of 1882-83 would have been better, but that a large payment for stores in England, amounting to 32,000 *l.*, which belonged to the year 1881-82, was not made until the year 1882-83. Thus the net revenue of 1881-82 was increased, and that of 1882-83 diminished by that amount. This mainly accounts for the high expenditure in 1882-83 (*see* column 5), amounting to 488,000 *l.*, as compared to 431,000 *l.* in 1881-82, and 474,000 *l.* in 1883-84 (Budget Estimate). It should be noticed that this revenue expenditure proper contains an annual payment of 18,000 *l.* to the defunct Red Sea Telegraph Company.

97. The estimated result of the year 1883-84 is that the telegraph will yield a net revenue of 75,000 *l.* This result is very satisfactory, and fully justifies any growth in the expenditure. Of this sum 79,000 *l.* is the estimated net revenue of the Indian telegraph, and 14,000 *l.* that of the Indo-European telegraph. The difference between the totals of these amounts (93,000 *l.*) and the net revenue, which is shown in column 8 as 75,000 *l.*, is the 18,000 *l.* paid to the Red Sea Telegraph Company.

98. The total capital expenditure on the Indian telegraphs up to the end of the year 1881-82 was 2,736,000 *l.*† No interest is, of course, paid on this money, for, as I have already explained (paragraph 93), the whole of it has been charged to revenue. It may be said that the estimated net revenue of the Indian Telegraph (79,000 *l.*) in 1883-84 will amount to nearly 2.5 per cent. on the capital outlay of 3,173,000 *l.* up to the end of the current year.

99. It will be seen from column 7 of the table given in paragraph 92 that the capital expenditure has varied very much, according to the general financial situation for the time being. In 1872-73 it was 128,000 *l.* The years 1873-74 and, although to a less extent, 1874-75, were years of famine, and accordingly the expenditure fell to 91,000 *l.* and 94,000 *l.* respectively. In 1875-76 it rose to 125,000 *l.*, and in 1876-77 to 131,000 *l.* Then came the famine and the Afghan War. The amount which Government was able to devote to capital expenditure on telegraphs fell in 1877-78 to 68,000 *l.*, in 1878-79 to 58,000 *l.*, and in 1879-80 to 52,000 *l.* In 1880-81, when the financial pressure due to the Afghan War was to some extent relieved, the capital expenditure rose to 98,000 *l.* The average expenditure during the nine years ending with 1880-81 was 94,000 *l.* In 1881-82 the Government was able to devote 103,000 *l.* to the construction of telegraphs. In 1882-83 it is estimated that the capital expenditure will be 169,000 *l.*, and in 1883-84 no less than 268,000 *l.* So far from being a matter for regret, it is a matter for congratulation that, concurrently with a large reduction of taxation, Government has been able to devote so large an amount of money to the construction of telegraphs. The large amount

* In an article written by Sir John Lubbock, and entitled "Our National Balance Sheet," which appeared in the *Nineteenth Century* for April 1883, it was pointed out that the results of the English telegraph system for the year ending 31st March 1882 were as follows:—Receipts, 1,630,030 *l.*; working expenses, 1,366,000 *l.*, net gain, 264,000 *l.* "But," it was added, "in order to purchase the telegraphs, the country has borrowed more than 11,000,000 *l.*, the interest on which is 326,000 *l.*, so that there was really a loss of 62,000 *l.*" The result of the Indian Telegraphs compare favourably with these figures.

† See *Finance and Revenue Accounts* for 1881-82, p. 186.

CORRESPONDENCE RELATING TO

amount for which provision is made in the Estimates of 1882-83 (162,000 *l.*) and of 1883-84 (260,000 *l.*) is mainly due to the fact that during the last two years there has been, relatively speaking, great activity displayed in the construction of railways, and a telegraph is, I need hardly say, a necessary adjunct to a railway. Of the 260,000 *l.* (net), for which provision is made in 1883-84, about 180,000 *l.* is for railway telegraphs.* It is, however, improbable that all this money will be spent.

100. The following table shows the progress of telegraph construction :—

Y E A R.	Miles of Posts.	MILES OF WIRE.			OFFICES.		
		Depart- mental.	Railway.	TOTAL.	Depart- mental.	Railway.	TOTAL.
1871-72 - - - -	15,326	27,903	1,070	28,973	192	53	245
1872-73 - - - -	15,705	29,486	1,723	31,209	203	86	289
1873-74 - - - -	15,980	32,662		32,662	225	112	337
1874-75 - - - -	16,649	33,901		33,901	225	—	—
1875-76 - - - -	17,145	36,279		36,279	226	—	—
1876-77 - - - -	17,840	39,780		39,780	234	—	—
1877-78 - - - -	18,210	29,600	13,087	42,687	239	484	723
1878-79 - - - -	18,589	36,063	13,380	49,443	250	525	775
1879-80 - - - -	20,468	36,800	15,079	51,879	276	633	909
1880-81 - - - -	19,679†	37,566	16,752	54,318	254	680	934
1881-82 - - - -	20,602	39,896	18,322	58,218	292	794	1,086
1882-83 - - - -	21,740	41,959	19,768	61,727	307	872	1,179
1883-84 (estimated)	23,358	43,557	22,917	66,474	350	1,029	1,379

101. MINT.

000s omitted.

£.1. = Rs. 10.

Y E A R.	Revenue.	Expenditure.	Net Revenue + or Expenditure --	Amount of Silver Coined.
	1.	2.	3.	4.
	£.	£.	£.	£.
1871-72 - - - -	96	84	+ 12	1,690
1872-73 - - - -	54	86	— 32	3,981
1873-74 - - - -	67	78	— 11	2,370
1874-75 - - - -	159	133	+ 26	4,897
1875-76 - - - -	110	108	+ 2	2,550
1876-77 - - - -	259	131	+ 128	6,271
1877-78 - - - -	444	132	+ 312	16,180
1878-79 - - - -	172	104	+ 68	7,211
1879-80 - - - -	231	95	+ 136	10,257
1880-81 - - - -	89	93	— 4	4,250
TOTAL - - - £.	1,681	1,044	+ 637	59,657
Average - - -	168	104	+ 64	5,266
1881-82 - - - -	71	88	— 17	2,186
1882-83 (Revised Estimate)	152	88	+ 64	;
1883-84 (Budget Estimate)	102	75	+ 27	—

102. The revenue under this head varies according to the amount of silver coined, and this again, I need hardly say, depends upon a number of circumstances, into which I need not now enter. The expenditure is also influenced by the same cause. The estimate of revenue is particularly difficult to frame. It will be seen that in the year 1881-82 there was a net loss of 17,000 *l.*, whereas in 1882-83 there is an estimated net gain of 64,000 *l.* As a matter of fact, the gross expenditure in 1881-82, 1882-83, and 1883-84, is less than the

* It is to be borne in mind that the railway telegraphs earn considerable sums in the dispatch of public telegrams which go to swell the profits of the railways. These receipts are not included in the figures given in paragraph 92.

† Reduction due to the dismantlement of Military lines in Afghanistan.

‡ The net imports of silver in 1882-83 were 7,481,000 *l.* The return of the amount of silver coined at the Mints has not yet been received.

A REDUCTION OF THE EXPENDITURE OF INDIA. 131

the average of the 10 preceding years ; but in this case, as in the case of *Opium*, no credit can be taken for economy by reason of low expenditure, neither can any charge of extravagance lie by reason of high expenditure.

D.—CIVIL DEPARTMENTS.

103. GENERAL ADMINISTRATION.

000s omitted.

£. 1. = Rs. 10.

Y E A R.	Expenditure.	REMARKS.
	£.	
1871-72 - - - - -	1,471	
1872-73 - - - - -	1,474	
1873-74 - - - - -	1,518	
1874-75 - - - - -	1,551	
1875-76 - - - - -	1,639	
1876-77 - - - - -	1,493	
1877-78 - - - - -	1,493	
1878-79 - - - - -	1,488	
1879-80 - - - - -	1,492	
1880-81 - - - - -	1,532	
TOTAL - - - £.	15,151	
Average - - -	1,515	
1881-82 - - - - -	1,494	
1882-83 (a) - - - - -	1,578	(a) Revised Estimate.
1883-84 (b) - - - - -	1,555	(b) Budget Estimate.

104. For purposes of comparison it is necessary to make a rectification in the figures given in this table. In the table prepared by the Comptroller General (Appendix III.), from which these figures are taken, the cost of stationery stores sent out from England has been included under *General Administration* from the year 1871-72 to the year 1875-76, both inclusive, but subsequently these charges were included under *Stationery and Printing*. The following table eliminates the figures on account of these stores from the years 1871-72 to 1875-76, both inclusive. Some small charges on account of local funds are also included in the Comptroller General's figures for the years 1871-72 to 1875-76, which are not included in subsequent years. These also should be deducted for purposes of comparison. After these deductions have been made, the figures will stand as follows :—

000s omitted.

£. 1. = Rs. 10.

Y E A R.	Expenditure as per Table in Paragraph 103. 1.	DEDUCTIONS.		TOTAL Deductions 4.	Difference of Columns 1 and 4. 5.	REMARKS.
		Stationery Stores. 2.	Local Funds 3.			
	£.	£.	£.	£.	£.	
1871-72 - - - - -	1,471	89	2	91	1,380	
1872-73 - - - - -	1,474	80	9	89	1,385	
1873-74 - - - - -	1,518	119	9	128	1,390	
1874-75 - - - - -	1,551	179	7	186	1,365	
1875-76 - - - - -	1,639	209	2	211	1,428	
1876-77 - - - - -	1,493	-	-	-	1,493	
1877-78 - - - - -	1,493	-	-	-	1,493	
1878-79 - - - - -	1,488	-	-	-	1,488	
1879-80 - - - - -	1,492	-	-	-	1,492	
1880-81 - - - - -	1,532	-	-	-	1,532	
TOTAL - - - £.	15,151	676	29	705	14,446	
Average - - -	1,515	68	3	71	1,444	
1881-82 - - - - -	1,494	-	-	-	1,494	
1882-83 (a) - - - - -	1,578	-	-	-	1,578	(a) Revised Estimate.
1883-84 (b) - - - - -	1,555	-	-	-	1,555	(b) Budget Estimate.

104 (a). The following table gives the detail of these charges :—

£. 1. = Rs. 10.

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	1871-72.	1872-73.	1873-74.	1874-75.	1875-76.	1876-77.	1877-78.	1878-79.	1879-80.	1880-81.	1881-82.	1882-83 (Revised Estimate).	1883-84 (Budget Estimate).
INDIA:	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
The Viceroy and Governor General, Governors, Lieutenant Governors, and Chief Commissioners.	97,159	97,425	97,480	100,696	100,384	100,640	94,827	94,457	91,517	95,003	91,971	94,620	93,480
Staff and Household of - ditto - Council of Governor General and Governors.	50,701 65,730	46,644 65,549	54,473 65,938	56,896 63,514	59,412 68,827	64,629 70,424	67,039 68,683	67,874 72,051	66,419 68,194	66,818 66,959	61,803 61,999	71,320 66,090	64,918 69,470
Tour expenses, Government of India	53,822	73,923	47,576	27,864	66,269	81,788	75,785	66,800	67,980	90,856	71,749	87,444	70,636
Tour expenses, Local Governments	30,359	27,702	25,490	26,021	31,772	26,814	24,946	20,807	23,346	20,888	22,010	26,760	25,200
Commissioner of Sind - - - -	10,843	10,962	10,583	10,730	11,103	11,278	10,489	10,110	10,651	10,491	11,442	10,980	12,500
Legislative Department, including Council.	21,924	21,980	19,795	20,043	21,923	27,707	28,265	28,231	32,413	20,356	19,367	29,650	25,480
Secretariats - - - - -	318,845	306,171	317,773	317,982	313,738	328,288	397,487	343,654	346,707	343,393	338,097	340,552	337,534
Consulting Naval Officer - - - -	-	-	-	-	4,396	4,527	4,417	4,809	4,649	1,912	-	-	-
Board of Revenue and Financial Commissioner.	87,583	82,614	84,429	84,802	77,073	85,044	86,829	87,958	90,980	88,807	88,255	87,640	87,150
Commissioners - - - - -	230,181	225,114	225,254	220,619	213,613	217,290	220,382	214,974	213,974	222,673	223,247	223,940	223,050
Offices of Account and Audit - -	142,511	143,921	153,004	158,009	164,757	169,328	166,860	177,043	177,370	180,211	187,855	193,600	207,072
Provincial and Local Fund establish- ments in the Imperial Offices.	4,121	8,637	9,208	9,683	9,663	10,126	9,909	2,218	8,771	14,348	15,792	24,000	24,270
Paper Currency Department - - -	23,379	22,293	27,910	25,478	23,314	22,560	36,259	33,591	23,563	24,177	24,844	23,134	26,093
Money Order Department - - - -	6,894	7,379	4,954	4,887	4,495	4,688	5,124	4,814	5,006	1,050	133	-	-
Allowances to Presidency Banks, &c., &c.	24,565	33,729	39,633	34,677	32,627	36,333	35,345	34,813	38,822	36,905	38,884	42,540	43,400
Reserve Treasury - - - - -	-	-	-	-	-	376	238	425	595	680	699	1,200	996
Press Commissioner - - - - -	-	-	-	-	-	-	-	1,877	2,737	1,690	576	1,010	1,111
Cost of Europe stores - - - - -	-	-	-	-	-	-	-	-	27	-	-	-	-
Petty Construction and Repairs - -	-	-	-	-	-	246	76	51	-	-	86	-	-
Rates, Rents, and Taxes - - - -	79	11	-	-	-	5,528	4,048	4,583	4,808	4,358	4,062	3,540	3,540
TOTAL INDIA - - - £.	1,168,699	1,173,934	1,183,500	1,160,861	1,203,366	1,268,614	1,277,008	1,269,500	1,278,500	1,291,483	1,262,925	1,328,000	1,315,900
ENGLAND:													
Salaries of the Secretary of State and other high functionaries.	131,495	130,053	131,621	133,272	136,859	134,907	134,208	137,089	136,080	132,238	133,852	-	-
Auditor and Assistants - - - - -	2,734	3,803	3,855	4,146	4,410	4,651	4,708	4,830	4,729	5,077	5,245	-	-
Store Department, &c., &c. - - -	19,110	25,817	20,287	21,259	25,178	25,443	24,848	23,290	23,440	24,635	24,627	-	-
Bank of England and Ireland for management of debt.	15,885	15,230	15,097	19,400	18,385	20,888	20,984	20,556	21,938	32,190	27,764	-	-
Law charges - - - - -	2,610	2,503	2,825	2,377	2,347	2,520	872	820	1,455	1,073	1,402	-	-
Postage on Despatches to and from India.	7,908	8,333	9,463	8,434	6,382	10,688	4,984	8,740	5,625	4,901	4,405	-	-
Rents, Rates, and Taxes, &c., &c. -	17,105	17,547	15,687	13,805	16,740	19,857	18,695	20,480	16,988	19,523	16,753	-	-
Miscellaneous charges on account of India.	14,242	8,117	7,303	1,763	13,966	4,469	3,997	2,091	3,350	20,864	8,598	-	-
Stores for India, &c., &c. - - - -	-	-	-	-	-	589	2,397	456	166	132	8,785	-	-
TOTAL ENGLAND - - - £.	211,089	211,203	206,138	204,456	224,267	224,012	215,693	218,352	213,771	240,573	231,431	249,700	239,000
GRAND TOTAL - - - £.	1,379,788	1,385,137	1,389,638	1,365,317	1,427,633	1,492,626	1,492,701	1,487,852	1,492,280	1,532,056	1,494,356	1,577,700	1,554,900

105. I propose, in the first instance, to offer some observations on the causes of increase up to and including the year 1880-81. The expenditure in India in 1871-72 stood at 1,169,000 *l.* In 1880-81 it stood at 1,291,000 *l.* The increase was, therefore, 122,000 *l.* in nine years, or at the rate of nearly 14,000 *l.* a year. The charges of 1871-72 were, however, abnormally high to the extent of 4,000 *l.*, being the amount of expenditure incurred for the lying-in-state of the late Lord Mayo. The charges of 1880-81 were also swelled, and those of 1881-82 correspondingly reduced, owing to the Government of India having moved to Simla in March instead of in April 1881, thus causing the charges on this account to be partly transferred from the accounts of the year 1881-82 to those of 1880-81. These disturbing causes to some extent invalidate

a comparison between the expenditure of the years 1871-72 and 1880-81. At the same time a glance at the figures will show that the expenditure has been steadily growing. The only year which shows a diminution of expenditure over the preceding year is 1874-75, when, owing to the Bengal famine, the Government of India did not move to Simla.

106. Looking at the question as a whole, and considering the growing wants of the country, I cannot think that an increase of expenditure of 122,000 *l.* in nine years is large. Sir John Strachey,* comparing the expenditure under this head in 1869-70 with that of 1880-81, says: "It is satisfactory to see that under this head the increase has been so small." The following table shows the main items under which an increase occurred:—

000s omitted.

£ 1. = Rs. 10.

HEADING.	1871-72.	1880-81.	Increase.
	£.	£.	£.
1. Staff and Household of the Viceroy, Governors, Lieutenant Governors, &c.	51	67	16
2. Tour expenses of the Government of India	54	91	37
3. Secretariat charges - - - -	319	343	24
4. Offices of Account and Audit - - -	143	180	37
5. Allowances to Presidency Banks - -	25	37	12
TOTAL - - - £.	592	718	126

107. This accounts for an increase of 126,000 *l.* Some small reductions under other heads bring the increase down to 122,000 *l.*

108. Taking the items separately, it will be observed that there is an increase of 16,000 *l.* under *Staff and Household of Viceroy, Governors, Lieutenant Governors, &c.* The real increase of expenditure in 1880-81 over 1871-72 must, however, be reckoned at 20,000 *l.*, as the expenditure of 1871-72 included an abnormal sum of 4,000 *l.* on account of the lying-in-state of the late Lord Mayo. Of this 20,000 *l.*, 2,000 *l.* is only nominal, being due to a transfer of the charge for the Viceroy's band from *Army* to this head. Of the remaining 18,000 *l.* a large portion is due to increased expenditure on telegrams and postage during the Afghan War. This increase is, of course, mainly nominal. The whole of the expenditure on postage, the whole of the expenditure on telegrams in India, and a portion of the expenditure on telegrams to and from England, comes back to the Government in the form of *Post Office* and *Telegraph* receipts. Another portion of the increase of 18,000 *l.* is also nominal. Under the contract system with the Governors of Madras and Bombay, charges which used to appear under *Tour expenses of the Local Governments* now appear under *Staff and Household, &c.* There is thus a corresponding decrease of charge under *Tour expenses of Local Governments*, amounting to about 9,000 *l.*

109. There is an apparent increase of 37,000 *l.* under *Tour expenses of the Government of India.* The charge on this account, however, in 1880-81 was abnormally high, owing to the Government having moved to Simla just before, instead of just after, the close of the

* *The Finances and Public Works of India*, p. 40.

the financial year 1880-81, thus increasing the charges in that year and diminishing those of 1881-82. There is, however, a slight tendency to a real increase under this head, due to the gradual growth of establishments as work expands. I take this opportunity of saying that I trust the Government of India will never think of abandoning the annual move to Simla. A great deal of the cost is nominal, as it comes back to Government in the form of Post Office* and Railway receipts, and the advantage to the public service which accrues from the move is, in my opinion, out of all proportion to the real annual expenditure.

109 (a). There is an increase of 24,000 *l.* under *Secretariats*. The real increase is, however, 29,000 *l.*, as the charge on account of furniture in Government House, Calcutta (5,000 *l.* in 1880-81), which in 1871-72 appeared under this head, has been transferred to the Public Works Department. Of this amount 15,000 *l.* is due to the increased number of telegrams sent by the Foreign Department during the Afghan War. The greater part of this expenditure came back to the Government as receipts under *Telegraph*. There was an increase of 2,000 *l.* in the permanent expenditure of the Foreign Department, owing to the creation of an Assistant Secretaryship and the

entertainment of two *Attachés*. The remaining increase was distributed under the several Secretariats of the Government of India as well as of Local Governments, and is due to the necessity of strengthening establishments in order to keep pace with the growing demands of the country. I do not think that anyone who has actual experience of the working of the Government in India is likely to think that the present establishments are too large. There are no harder-worked body of officials to be found anywhere than the Secretariat offices of the Government of India.

110. There is an increase of 37,000 *l.* under *Offices of Account and Audit*. The increase is general, and is due to the necessity of increased establishment to meet the work of the Account Offices, which, of course, grows as the revenue and expenditure expand. I am very strongly of opinion that it is false economy to starve expenditure under this head.

111. There is an increase of 12,000 *l.* under *Allowances to Presidency Banks*. Under the contracts entered into by the Government with the Presidency Banks and their branches, the following payments have to be made to the banks:—

- (1) To cover all costs, and to maintain establishments for carrying on the general Government banking business and accounts—

	£.
Bank of Bengal - - - - -	4,360 a year.
Bank of Bombay - - - - -	1,224 "
Bank of Madras - - - - -	1,200 "
	£. 6,784

- (2) The banks are reimbursed all actual expenses incurred by them in connection with the packing and shipping of specie remitted, on bills passed by the Comptroller General and the Accountants General of Madras and Bombay, respectively.
- (3) For management of Government Savings Banks business, $\frac{3}{4}$ ths per cent. per annum on the balance deposited with the bank at the beginning of the year, and also 8 annas for each active account.†
- (4) For management of Public Debt and Securities, commission, as follows:—

	£.
Bank of Bengal - - - - -	350 a year for each crore of rupees of that portion of the Public Debt and Securities of which interest is paid in British India, elsewhere than in Madras and Bombay.
Bank of Madras - - - - -	400 } Similarly.
Bank of Bombay - - - - -	

112. The

* The post carriages between Umballa and Simla are worked by the Post Office.

† An arrangement has recently been made with the Presidency Banks, under which they are to receive a fixed annual payment, instead of, as heretofore, a percentage on Savings Bank deposits.

112. The increase in 1880-81, compared with 1871-72, amounted to 12,000 *l.*, and may be distributed as in the margin. The increase of 8,000 *l.* in Bengal is entirely due to larger payments for the management of the Public Debt having been made, owing to the augmentation of the Public Debt of India. Of the increase of 1,000 *l.* in Madras, half may be attributed to increased payments for the management of the Public Debt, and half for Savings Bank business. Of the increase of 3,000 *l.* in Bombay, 2,000 *l.* is due to increased payments for Savings Banks, and 1,000 *l.* for the management of Public Debt. The charge, so far as the management of the Public Debt is concerned, is one of a growing nature, and will increase with the increase of Public Debt of India.*

	£.
Bengal Bank - - -	8,000
Madras " - - -	1,000
Bombay " - - -	3,000
Total - - -	12,000

113. Besides these items, it is to be observed that an increase of expenditure commenced under *Legislative Department including Legislative Council*, in 1876-77. The expenditure was at the highest point in 1879-80 (32,413 *l.*). During the two following years the expenditure was even lower than that of 1871-72. Up to the year 1871-72 the salary of the Secretary in the Legislative Department amounted to 3,000 *l.* a year, or 2,500 rupees a month. In 1872-73, however, this salary was raised to 4,200 *l.*, or 3,500 rupees a month, and has continued at this rate up to the present time. In the year 1876-77, owing to increase of work in the Legislative Department, a Deputy Secretary on 2,000 rupees a month was added to the staff of that department. The rest of the increase is due to a larger number of additional members having been retained in the Legislative Council.

114. I now turn to a consideration of the expenditure of 1881-82. The expenditure in India amounted to 1,263,000 *l.*, being 28,000 *l.* less than the expenditure of 1880-81 (1,291,000 *l.*). This is a net figure, and is made up as follows:—

	Increase.	Decrease.
	£.	£.
Heads of Administration - - - -	- - -	3,000
Staff and Household of ditto - - -	- - -	5,000
Council - - - - -	- - -	5,000
Tour expenses of the Government of India -	- - -	19,000
Secretariats - - - - -	- - -	5,000
Consulting Naval Officer - - - -	- - -	2,000
Provincial and Local Funds Establishments	1,000	-
Money Order Department - - - -	- - -	1,000
Offices of Account and Audit - - - -	8,000	-
Other heads - - - - -	3,000	-
TOTAL * - - - £.	12,000	40,000

Net Decrease - - - £. 28,000.

115. The decrease of 3,000 *l.* under *Heads of Administration* is due to temporary causes, such as that between the death of Mr. Adam and the arrival of Mr. Grant Duff, the Senior Member of Council officiated as Governor of Madras on a relatively low salary.

116. The decrease of 5,000 *l.* under *Staff and Household, &c.*, occurs mainly in the Office of the Private Secretary to the Viceroy, and is due to decreased cost of telegrams consequent on the termination of the Afghan War.

117. The decrease of 5,000 *l.* under *Council* is due to the temporary abolition of the office of Public Works Member of Council.

118. The decrease of 19,000 *l.* under *Tour expenses of the Government of India* is mainly due to the cause which I have already mentioned (*see* paragraph 109).

119. The decrease of 5,000 *l.* under *Secretariats* is principally due to the absence of abnormal telegraph charges in the Foreign Department of the Government of India, which in the previous year were necessary owing to the Afghan War (*see* paragraph 109a). The decrease would have been greater but for the re-establishment of the Revenue and Agricultural Department. This department was abolished in 1879, but its re-establishment was strongly recommended by the Famine Commissioners (*see Report, Part II., p. 140*), and it was accordingly re-established in 1881-82.

120. The

* An arrangement has recently been made with the Presidency Banks under which they are to receive a fixed annual payment, instead of, as heretofore, a percentage on Savings Bank deposits.

CORRESPONDENCE RELATING TO

120. The office of the *Consulting Naval Officer* to the Government of India was abolished in 1880-81, thus causing a saving of 2,000*l.* in 1881-82 as compared with the expenditure of 1880-81, and of about 4,500 *l.* as compared with the expenditure of previous years.

121. The decrease of 1,000 *l.* under *Money Order Department* is nominal, and is due to the transfer in 1880-81 of the *Money Order Department* from the Civil to the Postal Department.

122. The increase of 8,000*l.* under *Offices of Account and Audit* is general, and is due to the increase of work in Account offices (see remarks in paragraph 110).

123. I now turn to the expenditure of 1882-83 (Revised Estimate). This is estimated at 1,328,000 *l.*, being 65,000 *l.* more than the expenditure of 1881-82 (1,263,000 *l.*), but only 37,000 *l.* more than that of 1880-81 (1,291,000 *l.*). The increases over 1880-81 and over 1881-82 are net figures, and are made up of the following items:—

000*s.* omitted.

£. 1. = Rs. 10.

HEAD OF ACCOUNT.	1882-83 (REVISED ESTIMATE) COMPARED WITH 1880-81 (ACTUALS).		1882-83 (REVISED ESTIMATE) COMPARED WITH 1881-82 (ACTUALS).	
	Increase.	Decrease.	Increase.	Decrease.
	£.	£.	£.	£.
Heads of Administration - - - - -	-	-	3	—
Staff and Household, &c. - - - - -	4	-	9	—
Council - - - - -	-	1	4	—
Tour expenses, Government of India - - - - -	-	3	15	—
" Local Governments - - - - -	6	-	5	—
Legislative Council - - - - -	9	-	10	—
Secretariats - - - - -	-	3	2	—
Consulting Naval Officer - - - - -	-	2	—	—
Board of Revenue and Financial Commissioner - - - - -	-	1	—	—
Offices of Account and Audit - - - - -	14	-	6	—
Provincial and Local Funds Establishments - - - - -	10	-	8	—
Paper Currency Department - - - - -	-	1	-	2
Money Order Department - - - - -	-	1	—	—
Allowances to Presidency Banks - - - - -	5	-	4	—
Other heads - - - - -	1	-	1	—
TOTAL - - - £.	49	12	67	2
Net Increase - - - - -	37		65	

124. The estimated expenditure in 1882-83 under *Heads of Administration* (94,620 *l.*) is normal. It is, indeed, about 3,000 *l.* more than the expenditure of 1881-82 (91,971 *l.*), but, as I have already explained (paragraph 115), the expenditure in that year was, owing to temporary causes, abnormally low. The estimated expenditure of 1882-83 (94,620 *l.*) is slightly less than that of 1880-81 (95,003 *l.*).

125. The estimated expenditure under *Staff and Household, &c.* (71,320 *l.*), is abnormally high, being about 9,000 *l.* in excess of the expenditure of 1881-82 (61,863 *l.*), and about 4,000 *l.* in excess of the expenditure of 1880-81 (66,818 *l.*). The increase is due to heavy telegraphic charges on account of the Egyptian War. Some of this expenditure comes back in the form of receipts under *Telegraph*.

126. The estimated expenditure in 1882-83 under *Council* (66,090 *l.*) is about 1,000 *l.* less than that of 1880-81 (66,959 *l.*), but about 4,000 *l.* more than that of 1881-82 (61,999 *l.*). This is due to the appointment of a Public Works Member of Council. The appointment was, in my opinion, very necessary in the interests of economy.

127. The estimated expenditure in 1882-83 under *Tour expenses of the Government of India* (87,444 *l.*) is about 3,000 *l.* less than the expenditure of 1880-81 (90,856 *l.*), but 15,000 *l.* more than that of 1881-82 (71,749 *l.*). The increase is only nominal. It is due to the Government having moved to Simla before the close of the financial year 1882-83. It will be seen that the estimated expenditure of 1883-84 under this head is only 70,636 *l.*, a reduction of about 17,000 *l.* as compared with the estimated expenditure of 1882-83.

128. *Tour expenses of Local Governments* (26,760 *l.*) show an estimated increase in 1882-83 of about 6,000 *l.* as compared with 1880-81 (20,888 *l.*), and of about 5,000 *l.* as compared with 1881-82 (22,010 *l.*). This is due to alterations in the rules. The increase in this case is real.

129. Under *Legislative Council* (29,650 *l.*) there is an estimated increase in 1882-83 of about 9,000 *l.* as compared with 1880-81 (20,356 *l.*), and of about 10,000 *l.* as compared with 1881-82 (19,361 *l.*). The increase is due to the salaries and deputation and travelling allowances of additional and non-official members. The number of members present with the Council varies according to the work to be done. It will be seen that,

that, although in 1880-81 the expenditure was only 20,356 l., in 1879-80 it was as much as 32,413 l., being the highest expenditure of any of the years under review.

130. Under *Secretariats* (340,552 l.) the estimated expenditure in 1882-83 is normal.

131. Under *Offices of Account and Audit* (193,600 l.) there is an estimated increase of expenditure in 1882-83 of about 14,000 l. as compared with 1880-81 (180,211 l.), and of about 6,000 l. as compared with 1881-82 (187,855 l.). I beg to refer to the remarks made on this subject in paragraph 110.

132. Under *Provincial and Local Funds Establishments* (24,000 l.) there is an estimated increase in 1882-83 of about 10,000 l. as compared with 1880-81 (14,348 l.), and of about 8,000 l. as compared with 1881-82 (15,792 l.). Of this increase, 5,000 l. in Madras is nominal, being due to a transfer of charge from other sub-heads of account. The remainder occurs in Bengal and Madras. In the former province it is due to a revision of the office of the Examiner of Local Fund Accounts, a very necessary measure. In Madras it is due to the general growth of Local Funds Establishments.

133. As regards the increase under *Allowances to the Presidency Banks*, I beg to refer to the remarks made in paragraphs 111-112.

134. I now turn to the estimated expenditure of 1883-84, amounting to 1,315,900 l. This is about 25,000 l. more than the expenditure of 1880-81 (1,291,483 l.), but about 12,000 l. less than the estimated expenditure of 1882-83 (1,328,000 l.). The differences are shown in the following table:—

000s omitted.

£. 1 = Rs. 10.

HEADS OF ACCOUNT.	1883-84 (BUDGET ESTIMATE) COMPARED WITH 1880-81 (ACTUALS).		1883-84 (BUDGET ESTIMATE) COMPARED WITH 1882-83 (REVISED ESTIMATE).	
	Increase.	Decrease.	Increase.	Decrease.
	£.	£.	£.	£.
Heads of Administration - - - - -	-	1	-	1
Staff and Household, &c. - - - - -	-	2	-	6
Council - - - - -	2	-	3	-
Tour expenses, Government of India - - -	-	20	-	17
Ditto Local Governments - - - - -	4	-	-	2
Commissioner of Snd - - - - -	2	-	2	-
Legislative Council - - - - -	5	-	-	4
Secretariats - - - - -	-	6	-	3
Consulting Naval Officer - - - - -	-	2	-	-
Board of Revenue and Financial Commissioner -	-	2	-	-
Offices of Account and Audit - - - - -	27	-	13	-
Provincial and Local Funds Establishments -	10	-	-	-
Paper Currency Department - - - - -	2	-	3	-
Money Order Department - - - - -	-	1	-	-
Allowances to Presidency Banks - - - - -	6	-	1	-
Other heads - - - - -	-	-	-	1
TOTAL - - - - - £.	58	34	22	34
Net increase † or decrease ---	+ 24		- 12	

135. The estimated expenditure in 1883-84 under *Heads of Administration* (93,480 l.) is about normal, but the estimate is slightly lower than the actual expenditure of 1880-81 (95,003 l.), or the estimated expenditure of 1882-83 (94,620 l.).

136. The estimated expenditure in 1883-84 under *Staff and Household, &c.* (64,918 l.), is about 2,000 l. less than that of 1880-81 (66,818 l.), and about 6,000 l. less than that of 1882-83 (71,320 l.). As I have already explained (paragraph 125), the expenditure under this head was abnormally high in 1882-83 owing to heavy telegraphic charges consequent on the Egyptian War.

137. The estimated expenditure in 1883-84 under *Council* (69,470 l.) is about 2,000 l. more than in 1880-81 (66,959 l.), and about 3,000 l. more than the estimated expenditure 1882-83 (66,090 l.). This increase is due to the appointment of a Public Works Member of Council in August 1882.

138. The estimated expenditure in 1883-84 under *Tour expenses of the Government of India* (70,636 L.) shows a decrease of about 20,000 l. as compared with 1880-81 (90,856 l.), and of about 17,000 l. as compared with the estimated expenditure of 1882-83 (87,444 l.). The charges of these two years were, as I have already explained (paragraphs 109 and 127), abnormally high.

139. The estimated expenditure in 1883-84 under *Tour expenses of Local Governments* (25,200 l.) shows a decrease of about 2,000 l. as compared with the estimated expenditure of 1882-83 (26,760 l.), but an increase of about 4,000 l. as compared with 1880-81 (20,888 l.). I have already (paragraph 128) explained the cause of this increase.

140. The estimated expenditure in 1883-84 under *Commissioner of Sind* (12,500 l.) shows an increase of about 2,000 l. compared with the year 1880-81 (10,431 l.), and with the estimated expenditure of 1882-83 (10,900 l.). The increase is on account of additional clerks, translators, servants, and others, and heavy miscellaneous charges expected in 1883-84.

141. The estimated expenditure in 1883-84 under *Legislative Council* (25,460 l.) shows an increase of about 5,000 l. compared with 1880-81 (20,356 l.), but a decrease of about 4,000 l. compared with the estimated expenditure of 1882-83 (29,650 l.). I have already (paragraph 129) explained the reasons of these fluctuations.

142. The estimated expenditure in 1883-84 under *Secretariats* (337,534 l.) shows a decrease of about 3,000 l. compared with the estimated expenditure of 1882-83 (340,552 l.), and of about 6,000 l. compared with 1880-81 (343,393 l.). This is mainly due to lower expenditure on telegrams.

143. As I have already explained (paragraph 120), the office of *Consulting Naval Officer* was abolished in 1880-81, thus causing a saving of about 2,000 l. in 1883-84 as compared with 1880-81.

144. The estimated saving of 2,000 l. under *Board of Revenue and Financial Commissioner* in 1883-84 (87,150 l.) as compared with 1880-81 (88,867 l.) is nominal, and is due to a transfer in Madras to other sub-heads of account (see paragraph 132).

145. Under *Offices of Account and Audit* (207,072 l.) there is in 1883-84 an estimated increase of about 27,000 l. compared with 1880-81 (180,211 l.), and of about 13,000 l. as compared with the estimated expenditure of 1882-83 (193,600 l.). Of this increase, 9,000 l. occurs in the Comptroller General's Office, 2,000 l. in the Office of the Accountant General, Public Works Department, 3,000 l. in the Office of the Accountant General, Bombay, and the rest in the several other offices of Account. Of the increase of 9,000 l. in the Comptroller General's Office, about 3,000 l. is due to provision having been made for the Auditor General's establishment. The creation of this appointment was recommended by the Committee which sat at the India Office after the failure of the War Estimates in 1880-81. About 1,500 l. is for purchase of furniture for the new Treasury Buildings, and 1,000 l. for office rent. The rest of the increase occurs in the salaries of officers. The late re-organisation of the Account Department involved some increase of expense in almost all Civil Account offices. Revisions of establishments involving additional cost have also been sanctioned, owing to increase of work in the Account offices. I beg to refer to the remarks on this subject in paragraph 110.

146. The estimated expenditure in 1883-84 under *Provincial and Local Funds Establishments* (24,270 l.) is about the same as in 1882-83 (24,000 l.). It is about 10,000 l. more than the expenditure of 1880-81 (14,348 l.). I have already (paragraph 132) explained the causes of this increase. About 5,000 l. of it is only nominal.

147. The estimated expenditure in 1883-84 under *Paper Currency Department* (26,093 l.) is about 2,000 l. in excess of the expenditure of 1880-81 (24,177 l.), and about 3,000 l. in excess of the estimated expenditure of 1882-83 (23,134 l.). The increase is due to the creation of a Currency Office for British Burma.

148. I have already explained (paragraph 121) that the estimated decrease of expenditure in 1883-84 as compared with 1880-81, amounting to 1,000 l., under *Money Order Department*, is only nominal.

148 (a). Under *Allowances to Presidency Banks* (43,400 l.) there is an estimated increase of about 6,000 l. in 1883-84 as compared with 1880-81 (36,905 l.), and of about 1,000 l. as compared with the estimated expenditure of 1882-83 (42,540 l.). The causes of this increase are stated in paragraphs 111-112.

149. I have so far only dealt with expenditure in India. I am unable to give full explanations as regards the expenditure in England; but I may say, in respect to the relatively high estimates of expenditure in 1882-83 (249,700 l.) and in 1883-84 (239,000 l.), that the increase of expenditure is to some extent only nominal. The cost of printing currency notes, which was unusually high in 1882-83, owing to the establishment of a new circle in Burma, appeared prior to 1882-83 under *Stationery and Printing*, but now appears under *General Administration*. The cost of printing the new Stock Notes also appears under this latter head.

A REDUCTION OF THE EXPENDITURE OF INDIA. 139

150. LAW AND JUSTICE (INCLUDING COURT FEES).

000s omitted.

£.1=Rs. 10.

Y E A R.	UNDER <i>Law and Justice</i> .					UNDER <i>Stamps</i> .					Net Cost of <i>Law and Justice</i> . Difference of Columns 5 and 10.
	Expenditure	Receipts.	Refunds.	Receipts after Deduction of Refunds. Difference of Columns 2 and 3.	Net Expenditure. Difference of Columns 1 and 4.	Revenue from Court Fees	Refunds.	Revenue after Deduction of Refunds. Difference of Columns 6 and 7.	Expenditure.*	Net Revenue Difference of Columns 8 and 9.	
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.		11.
	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
1871-72 - -	2,820	559	31	528	2,292	1,040	31	1,609	72	1,537	755
1872-73 - -	2,818	595	32	563	2,255	1,729	35	1,694	61	1,633	622
1873-74 - -	2,961	627	40	587	2,374	1,831	36	1,795	52	1,743	691
1874-75 - -	3,039	607	35	572	2,467	1,898	36	1,862	70	1,792	675
1875-76 - -	3,064	594	38	556	2,508	1,975	37	1,938	63	1,875	638
1876-77 - -	3,131	609	43	566	2,565	1,985	36	1,949	58	1,891	674
1877-78 - -	3,168	618	40	578	2,590	2,064	34	2,030	62	1,968	622
1878-79 - -	3,297	647	39	608	2,689	2,151	35	2,116	66	2,050	639
1879-80 - -	3,281	659	40	619	2,662	2,145	33	2,112	66	2,046	616
1880-81 - -	3,204	688	46	642	2,562	2,186	34	2,152	64	2,088	474
TOTAL - - £.	30,783	6,203	884	5,819	24,964	19,604	347	19,257	634	18,623	6,341
Average - - -	3,078	620	98	582	2,496	1,960	35	1,925	63	1,862	634
1881-82 - -	3,233	677	(a)	677	2,556	2,301	38	2,263	67	2,196	360
1882-83 (Revised Estimate).	3,273	662	(a)	662	2,611	2,332	37	2,295	72	2,223	388
1883-84 (Budget Estimate).	3,347	645	(a)	645	2,702	2,342	36	2,306	63	2,243	459

* This includes the whole of "Court Fees Discount" and one-half of "Other Charges" (see Comptroller General's Explanatory Note, Appendix III)

(a) Included, in 1881-82, 1882-83, and 1883-84, in the charges under *Law and Justice*.

151. Mr. Stanhope and Mr. Reid alluded specially in their recent speeches to the alleged increase of expenditure under this head. I invite particular attention to the table given above.

152. The first column shows the gross expenditure entered under *Law and Justice*. From this it would appear that there was a considerable increase of gross expenditure between 1871-72 and 1880-81. The expenditure was lowest in the year 1872-73, when it amounted to 2,818,000 l. It was highest in 1878-79, when it amounted to 3,297,000 l. In 1879-80 the expenditure was 3,281,000 l.; in 1880-81, 3,204,000 l.

153. The gross expenditure in 1881-82 (column 1) was 3,233,000 l., being 155,000 l. in excess of the average expenditure of the 10 preceding years (3,078,000 l.), and 29,000 l. in excess of that of 1880-81 (3,204,000 l.), but 48,000 l. less than the expenditure of 1879-80 (3,281,000 l.), and 64,000 l. less than the expenditure of 1878-79 (3,297,000 l.).

154. In 1882-83 the gross expenditure is estimated at 3,273,000 l., being 195,000 l. in excess of the average expenditure of the decade ending with 1880-81 (3,078,000 l.), and 69,000 l. in excess of the expenditure of 1880-81 (3,204,000 l.), but 8,000 l. less than the expenditure of 1879-80 (3,281,000 l.), and 24,000 l. less than the expenditure of 1878-79 (3,297,000 l.). I will deal presently with the estimated expenditure of 1883-84.

155. I now invite attention to column 3 (Refunds). It will be observed that in the case of the years 1881-82, 1882-83, and 1883-84, the entries are blank. The reason is; that up to and including the years 1880-81 refunds were debited to the head of *Refunds and Drawbacks*. Subsequent to 1880-81 they were added to the expenditure under *Law and Justice*. The result is that any comparison which does not take account of this change of procedure must necessarily be fallacious. The apparent increase is largely due to the fact that since 1880-81 refunds are shown as expenditure under *Law and Justice*, whereas prior to and including that year they were shown separately.

156. I now invite attention to column 2, which shows the receipts under *Law and Justice*. It will be seen that, though the receipts of the last three years compare favourably with the average of the preceding decade, they are less than those of 1880-81. The reason is, that in that year there happened to be an exceptionally large sum (54,000 l.) received on account of "Unclaimed and Escheated Property." The receipts under this head are, of course, quite accidental. Chance may bring in a good deal or very little.

157. Column 5 gives the net expenditure under *Law and Justice* only. It will be seen that the net expenditure of 1881-82 (2,556,000 *l.*), although 60,000 *l.* in excess of the average of the preceding 10 years (2,496,000 *l.*), was less than the expenditure in any year since 1876-77, inclusive. The estimated net expenditure in 1882-83 is 115,000 *l.* in excess of the average of the decade (2,496,000 *l.*), and 49,000 *l.* in excess of the expenditure of 1880-81 (2,562,000 *l.*). This latter excess is due to the accidental receipt in 1880-81 to which I have already alluded (paragraph 156). The net expenditure of 1882-83 is estimated at 51,000 *l.* less than that of 1879-80 (2,662,000 *l.*), and 78,000 *l.* less than that of 1878-79 (2,689,000 *l.*).

158. I have so far only dealt with figures which appear on both sides of the account under *Law and Justice*. It would, however, be a mistake to suppose that the real cost of the administration of the law is to be deduced from looking only at these figures. The cost of the law courts is mainly paid by suitors in the form of court fees, which are credited under *Stamps*.

159. Column 8 shows the gross revenue derived from this source after deduction of refunds. It will be seen that it has been steadily increasing. In 1871-72 it amounted to 1,609,000 *l.*; in 1880-81 to 2,152,000 *l.* Each successive year shows a steady increase, the average growth being about 60,000 *l.* a year. The revenue in 1881-82 was 2,263,000 *l.*, being 338,000 *l.* in excess of the average of the preceding 10 years (1,925,000 *l.*), and 111,000 *l.* in excess of the revenue for 1880-81 (2,152,000 *l.*). The estimated revenue of 1882-83 is 2,295,000 *l.*, being 370,000 *l.* in excess of the average of the 10 years ending with 1880-81 (1,925,000 *l.*), and 143,000 *l.* in excess of the last year of the decade (2,152,000 *l.*). The estimated revenue of 1883-84 is 2,306,000 *l.*, being 381,000 *l.* in excess of the average of the 10 years ending with 1880-81 (1,925,000 *l.*), and 154,000 *l.* in excess of the last year of the decade (2,152,000 *l.*). The estimate is a very moderate one, and it is almost certain to be exceeded. The receipts during the first quarter of the current year were about 30,000 *l.* in excess of the estimate.

160. Column 9 shows the expenditure under *Stamps*. As the revenue grows the expenditure must, of course, also grow, but the increase is very trifling. The expenditure in 1881-82 was 67,000 *l.*, being 4,000 *l.* in excess of the average of the 10 preceding years (63,000 *l.*), 3,000 *l.* in excess of the expenditure of 1880-81 (64,000 *l.*), and only 1,000 *l.* in excess of the expenditure in 1878-79 (66,000 *l.*) and 1879-80 (66,000 *l.*). It is 5,000 *l.* less than the expenditure in 1871-72 (72,000 *l.*), and 3,000 *l.* less than the expenditure in 1874-75 (70,000 *l.*). In 1882-83 the estimated expenditure is 72,000 *l.*, being 5,000 *l.* more than the expenditure of 1881-82 (67,000 *l.*). This increase is entirely due to unusually large purchases of stock consequent on the introduction of the system of impressed labels in the place of adhesive stamps. The estimated expenditure in 1883-84 is only 63,000 *l.*, being the same as the average expenditure for the 10 years ending with 1880-81 (63,000 *l.*).

161. Column 10 gives the net revenue under *Stamps*. The figures show a steady and very satisfactory increase.

162. Column 11 shows the real cost to the country of the administration of *Law and Justice*. The net revenue derived from Court Fees and credited under *Stamps* (column 10) is deducted from the net expenditure debited under *Law and Justice* (column 5). The figures are very satisfactory. The net expenditure in 1881-82 was only 360,000 *l.*, being 274,000 *l.* less than the average of the 10 preceding years (634,000 *l.*), and 114,000 *l.* less than the expenditure of 1880-81 (474,000 *l.*).

163. The estimated expenditure in 1882-83 is 388,000 *l.* This is 246,000 *l.* less than the average expenditure of the 10 years ending with 1880-81 (634,000 *l.*), 86,000 *l.* less than the expenditure of 1880-81 (474,000 *l.*), and much less than the expenditure of any preceding year. It is, however, 28,000 *l.* more than the net expenditure of 1881-82 (360,000 *l.*). In comparing the expenditure of the two years, it is to be borne in mind that whereas the figures for 1881-82 represent actual expenditure, those for 1882-83 are only an estimate. The actuals may possibly turn out better than the estimate. The estimated excess of 1882-83 over 1881-82 of 28,000 *l.* may be accounted for thus: (1) There was an increase of gross expenditure amounting to 40,000 *l.*, under *Law and Justice* (column 1). The expenditure under this head is greatly influenced by the cost of maintaining the prisoners in jails, which again depends largely on the price of food. The price of food in 1882-83, though low, was not so low as in 1881-82 or in 1880-81. Further, a portion of the cost of reorganising the Subordinate Civil Service, to which I have alluded in paragraph 34, is debited to *Law and Justice*. (2) The receipts under *Law and Justice* (column 2) are estimated at 15,000 *l.* less than in 1881-82. This is mainly due to the operation of the recent Government Resolution condemning the competition of jail with free labour. Under the policy set forth in that Resolution the jail receipts will, no doubt, show a tendency to diminish. This is, in my opinion, no matter for regret. (3) For the reasons which I have already given (paragraph 160), the expenditure under *Stamps* was 5,000 *l.* in excess of that of 1881-82.

164. I have said (paragraph 154) that I would deal separately with the figures for the year 1883-84. The estimated net expenditure in 1883-84 (column 11) is 459,000 *l.* This is 175,000 *l.* below the average expenditure of the 10 years ending with 1880-81 (634,000 *l.*), and 15,000 *l.* below the expenditure of the last year of the decade (474,000 *l.*).

It

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It is, however, 99,000 *l.* above the expenditure of 1881-82 (360,000 *l.* and 71,000 *l.* above the estimated expenditure of 1882-83 (388,000 *l.*). The excess is due to the following causes:—

(1.) Provision has been made for an increase in the numbers of Munsiffs in Bengal. This will involve an increased expenditure of 10,000 *l.* a year. In this case the increase is real. A revision of the establishment of Munsiffs was very much required.

(2.) The main reason, however, of the estimated increase will appear on reference to column 1. The estimate of gross expenditure in 1883-84 under *Law and Justice* (3,347,000 *l.*) is taken at 74,000 *l.* in excess of that of 1882-83 (3,273,000 *l.*). Full provision has been made for the supply of food to prisoners in jails. In framing the Budget Estimate for 1883-84, it would not have been safe to have relied on the low prices of recent years. Should, however, there be no rise in the price of food, the actuals will, without doubt, fall considerably short of the estimate.

(3.) Receipts under *Law and Justice* (column 2) are taken at a low figure (645,000 *l.*), because it is not impossible that there will be a still further falling-off on account of jail receipts (*see* paragraph 163).

165. I have gone fully into this item, because it shows in a striking manner the imprudence of jumping at conclusions without a careful examination of all the facts of the case. Anyone looking merely at the figures entered on both sides of the account under *Law and Justice* would think that the expenditure is growing. A more careful examination of the figure shows, on the contrary, that the real net expenditure, which can only be shown by including a portion of the receipts shown under *Stamps*, is steadily diminishing.

166. POLICE.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	Receipts.	Net Expenditure.	REMARKS.
	£.	£.	£.	
1871-72	2,538	350	2,188	
1872-73	2,421	236	2,185	
1873-74	2,437	239	2,198	
1874-75	2,443	208	2,235	
1875-76	2,469	235	2,234	
1876-77	2,513	217	2,296	
1877-78	2,483	255	2,228	
1878-79	2,419	211	2,208	
1879-80	2,495	228	2,267	
1880-81	2,524	242	2,282	
TOTAL	24,742	2,421	22,321	
Average	2,474	242	2,232	
1881-82	2,554	248	2,306	
1882-83 (a)	2,631	227	2,404	(a) Revised Estimate.
1883-84 (b)	2,708	226	2,482	(b) Budget Estimate.

167. The cost of police in India must be expected to grow with the advance of the country. It will be seen that the net cost, which in 1871-72 was 2,188,000 *l.*, had grown in 1880-81 to 2,282,000 *l.*, an increase of 94,000 *l.*

168. The expenditure in 1881-82 was 2,306,000 *l.*, being 74,000 *l.* in excess of the average of the preceding 10 years (2,232,000 *l.*), and 24,000 *l.* in excess of the last year of the decade (2,282,000 *l.*). The expenditure in 1882-83 is estimated at 2,404,000 *l.*, being 172,000 *l.* in excess of the average of the 10 years (2,232,000 *l.*), 122,000 *l.* in excess of the expenditure in 1880-81 (2,282,000 *l.*), and 98,000 *l.* in excess of the expenditure of 1881-82 (2,306,000 *l.*). The estimated expenditure of 1883-84 is 2,482,000 *l.*, being 250,000 *l.* in excess of the average of the 10 years ending with 1880-81 (2,232,000 *l.*), 200,000 *l.* in excess of the expenditure of 1880-81 (2,282,000 *l.*), and 78,000 *l.* in excess of the estimated expenditure of 1882-83 (2,404,000 *l.*).

169. Since 1880-81 there has been some real but very legitimate increase of expenditure. In Burma the village police has been remodelled and augmented. The police force has also been reorganised, and additional pay has been granted to the constables. In Bengal there has been an increase of expenditure on account of the purchase of arms for village police. In Bombay there is an increase attributable to increased cost of clothing

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clothing in 1882-83, and to the purchase of arms in 1883-84. Some extra establishments were also sanctioned for 1883-84. There was an increase, which, however, is only nominal, under "Village Police" in Bombay, owing to the transfer to *Police* of one-third of the patels' allowances, which formerly appeared under the head of *Land Revenue*. On the other hand, as I have already mentioned (paragraph 55), there has been a nominal diminution of expenditure in Madras, amounting to about 12,000 *l.*, owing to the *Police* establishments, formerly employed on preventive service, being transferred to the Salt Department.

170. But by far the greater portion of the increase under this head is due to the fact that, when the quinquennial contracts were renewed at the end of 1881-82, the Provincial Governments took over the police charges heretofore borne by municipalities, and which therefore, did not formerly appear in the Accounts and Estimates of the Government, and handed over to them other branches of expenditure in their place. The reform was a very desirable one, and was universally approved. In the majority of instances, that is to say, where transfers of expenditure of similar amounts have taken place from Provincial to Municipal heads, the increase is, of course, only nominal. But in some cases the Provincial Governments, in order to relieve municipalities, took over more expenditure on account of *Police* than they handed over to municipalities under other heads. Thus, the Government of Bengal took over an expenditure of 44,000 *l.* on account of *Police*, and only handed over to municipalities an expenditure of 10,000 *l.* on account of Dispensaries and Hospitals, thus increasing Provincial expenditure and relieving the municipalities to the extent of about 34,000 *l.* a year (see paragraphs 65-67 of Financial Statement for 1882-83). To this extent, therefore, the municipalities in Bengal have had funds provided to them from Provincial revenues in order to provide for education, sanitation, &c.

171. MARINE (INCLUDING RIVER NAVIGATION).

000s omitted.

£.1 = Rs. 10.

Y E A R.	Expenditure.	Receipts.	Net	REMARKS.
	1.	2.	Expenditure.	
	£.	£.	£.	
1871-72 - - - -	575	197	378	
1872-73 - - - -	562	209	353	
1873-74 - - - -	535	236	299	
1874-75 - - - -	600	302	298	
1875-76 - - - -	630	230	400	
1876-77 - - - -	699	233	466	
1877-78 - - - -	542	232	310	
1878-79 - - - -	549	251	298	
1879-80 - - - -	530	258	272	
1880-81 - - - -	551	246	305	
TOTAL - - - - £.	5,773	2,394	3,379	
Average - - - -	577	239	338	
1881-82 - - - -	623	238	385	
1882-83 (a) - - - -	546	212	334	(a) Revised Estimate.
1883-84 (b) - - - -	515	207	308	(b) Budget Estimate.

172. It will be seen that the average net expenditure under the head of *Marine* during the 10 years ending with 1880-81 was 338,000 *l.* The expenditure in 1881-82 was 385,000 *l.*, being 47,000 *l.* in excess of the average of the decade (338,000 *l.*), and 80,000 *l.* in excess of the net expenditure of the year 1880-81 (305,000 *l.*). The estimated net expenditure in 1882-83 is 334,000 *l.*, being 4,000 *l.* less than the average of the decade (338,000 *l.*), but 29,000 *l.* more than the net expenditure of the year 1880-81 (305,000 *l.*). The relatively high expenditure in 1881-82 and in 1882-83 is almost entirely due to the fact that a new troopship, costing 129,000 *l.*, was ordered in 1878, but was not commenced till towards the close of 1880. In 1882-83 also an arrear payment of 13,000 *l.*, due on account of Her Majesty's ships employed in the Indian seas, had to be made. The estimated expenditure in 1882-83 and in 1883-84 would have been higher, but that pensions and furlough allowances, which amount to 35,000 *l.* a year, have been transferred to *Superannuations, Retired and Compassionate Allowances*. Even, however, with this addition the estimated gross expenditure of 1883-84 (column 1) would only come to 550,000 *l.*, which is 27,000 *l.* less than the average of the decade (577,000 *l.*), and 1,000 *l.* less than the gross expenditure of the year 1880-81, (551,000 *l.*). With the addition of the 35,000 *l.* for pensions and furlough allowances, the estimated net expenditure of 1883-84 would

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would come to 343,000 L., which is only 5,000 L. in excess of the average of the decade ending with 1880-81 (338,000 L.). The excess is entirely due to the receipts having been taken at a low figure, namely 207,000 L., as compared with the average of 239,000 L. during the 10 years ending with 1880-81. It is not at all impossible that the actual receipts will be higher than the estimate, and that the net expenditure will fall below the average of the decade ending with 1880-81. There is not any real tendency towards an increase of expenditure under *Marine*.

173. EDUCATION.

000 omitted.

£.1 = Rs. 10.

YEAR.	Expenditure.	Receipts.	Net Expenditure.	REMARKS.
	1.	2.	3.	
	£.	£.	£.	
1871-72 - - - -	850	157	693	
1872-73 - - - -	881	148	733	
1873-74 - - - -	912	151	761	
1874-75 - - - -	985	141	844	
1875-76 - - - -	1,020	147	873	
1876-77 - - - -	1,004	150	854	
1877-78 - - - -	1,003	153	850	
1878-79 - - - -	978	147	831	
1879-80 - - - -	967	140	827	
1880-81 - - - -	998	170	828	
TOTAL - - - £.	9,598	1,504	8,094	
Average - -	959	150	809	
1881-82 - - - -	1,079	189	890	
1882-83 (a) - - -	1,134	200	934	(a) Revised Estimate.
1883-84 (b) - - -	1,200	205	995	(b) Budget Estimate.

174. Sir John Strachey, speaking of the increase of expenditure under *Education* between 1869-70 and 1880-81, which he estimated at 82,555 L.,* said,† “It is to be regretted that the increase has not been larger.” It would, indeed, be difficult to assign a limit to the amount of money which might usefully be devoted to education in India.

175. It will be seen, from the foregoing table, that from 1871-72 to 1875-76 the net expenditure on education steadily increased. In 1871-72 it was 693,000 L.; in 1875-76 it was 873,000 L.; the increase in four years was, therefore, 180,000 L. Then came a severe famine and the Afghan War, with the result that the net expenditure fell in 1876-77 to 854,000 L., in 1877-78 to 850,000 L., in 1878-79 to 831,000 L., and in 1879-80 to 827,000 L. In 1880-81 the Government was able to devote 998,000 L. (column 1) to education, but, owing to the rise in receipts, which amounted to 170,000 L. as compared to 140,000 L. in 1879-80, the net expenditure was only 828,000 L.

176. Almost the whole of the expenditure on education is Provincial, and it is satisfactory to see that, since the financial pressure due to the war was removed, the Local Governments have been able to devote larger sums to this very necessary object. In 1881-82 the net expenditure was 890,000 L.; in 1882-83 the estimated net expenditure is 934,000 L., and in 1883-84, 995,000 L.

177. It is satisfactory to observe that since 1880-81, inclusive, the receipts on account of fees (column 2) have shown a steady tendency to rise. Prior to that period they had remained stationary, and had even fallen off. In 1871-72 they realised 157,000 L., being the highest amount received during any year of the decade, except 1880-81. In 1879-80 they fell to 140,000 L., being the lowest amount received during any year of the decade. In 1880-81 they rose to 170,000 L., and since that year they have steadily increased; in 1881-82 they amounted to 189,000 L.; in 1882-83 they are estimated to amount to 200,000 L.; in 1883-84 they are estimated to amount to 205,000 L.; and it is very possible that this amount, being a Budget Estimate, will be exceeded.

* The correct figure is 71,000 L. When Sir John Strachey wrote, the Accounts for 1880-81 had not yet been made up; his figures were, therefore, those of the Revised Estimate.
 † *Finances and Public Works of India*, p. 42.

178. ECCLESIASTICAL.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	REMARKS.
	£.	
1871-72 - - - - -	158	
1872-73 - - - - -	157	
1873-74 - - - - -	164	
1874-75 - - - - -	166	
1875-76 - - - - -	162	
1876-77 - - - - -	164	
1877-78 - - - - -	158	
1878-79 - - - - -	155	
1879-80 - - - - -	156	
1880-81 - - - - -	159	
TOTAL - - - £.	1,599	
Average - - -	160	
1881-82 - - - - -	162	
1882-83 (Revised Estimate) - -	163	
1883-84 (Budget Estimate) - -	168	

179. The charges under this head fluctuate according to the number of Chaplains present on duty, and according to their rank. It will be seen that during the decade ending with 1880-81 the charges ranged from a maximum of 166,000 *l.* in 1874-75 to a minimum of 155,000 *l.* in 1878-79. The charge in 1881-82, for which year the accounts are closed, was 162,000 *l.*, being 2,000 *l.* in excess of the average. The estimated charge for 1882-83 is 163,000 *l.*; but full provision has to be made in framing estimates, and the actuals of expenditure almost invariably fall short of the estimate. The preliminary actuals for 1882-83 show an expenditure of 161,000 *l.*, being 2,000 *l.* below the Revised Estimate (163,000 *l.*), 1,000 *l.* below the expenditure of 1881-82 (162,000 *l.*), and only 1,000 *l.* in excess of the average of the 10 years ending with 1880-81 (160,000 *l.*). Full provision has been made under this head in 1883-84, but I have little doubt that the actual expenditure will fall short of the Budget Estimate of 168,000 *l.* The present Government has not, in fact, sanctioned any considerable increase of expenditure under this head. The variations are too trifling to require detailed notice.

180. MEDICAL.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	Receipts.	Net Expenditure.
	1.	2.	3.
	£.	£.	£.
1871-72 - - - - -	532	23	509
1872-73 - - - - -	594	32	562
1873-74 - - - - -	620	38	582
1874-75 - - - - -	657	46	611
1875-76 - - - - -	670	35	635
1876-77 - - - - -	669	37	632
1877-78 - - - - -	690	38	652
1878-79 - - - - -	669	44	625
1879-80 - - - - -	669	56	613
1880-81 - - - - -	667	43	624
TOTAL - - - £.	6,437	392	6,045
Average - - -	644	39	605
1881-82 - - - - -	683	40	643
1882-83 (Revised Estimate) - -	698	48	650
1883-84 (Budget Estimate) - -	723	49	674

181. The expenditure under this head shows a steady tendency to grow as the country advances. The increase is not to be regretted. Sir John Strachey (*The Finances and Public Works of India*, p. 42) says, speaking of the growth of expenditure under this head, "This signifies a greater number of hospitals and dispensaries, and is a matter for congratulation." I agree with Sir John Strachey in thinking that a moderate growth of expenditure under this head is no cause for regret. In 1871-72 the net expenditure was only 509,000 *l.* In 1880-81 it was 624,000 *l.* In 1881-82 it was 643,000 *l.*, being 38,000 *l.* in excess of the average of the 10 preceding years (605,000 *l.*) and 19,000 *l.* in excess of 1880-81 (624,000 *l.*). The estimated expenditure in 1882-83 is 650,000 *l.*, being 45,000 *l.* in excess of the average of the 10 years ending with 1880-81 (605,000 *l.*), and 26,000 *l.* in excess of the expenditure in 1880-81 (624,000 *l.*). In 1883-84 the estimated expenditure is 674,000 *l.*, being 69,000 *l.* in excess of the average of the 10 years ending with 1880-81 (605,000 *l.*), and 50,000 *l.* in excess of the expenditure in 1880-81 (624,000 *l.*). The preliminary actuals of 1882-83 show that the actual expenditure is 24,000 *l.* below the estimate, and I do not doubt that the full amount of the estimate in 1883-84 will not be spent. In this, as in other cases, full provision is made in framing the Budget Estimate, but the actuals generally fall below the estimate.

182. In some cases the increase of expenditure under this head is only nominal. Thus, the charges on account of certain dispensaries towards which municipalities in Madras contributed are taken gross, instead of net as heretofore. This accounts for 2,000 *l.* In the North-Western Provinces there has been a transfer of the cost of maintaining dispensaries aided by Government, from the Dispensary Fund (an Excluded Local Fund) to Incorporated Local Funds. This accounts for 12,000 *l.* which now appears in the Accounts and Estimates, but which was formerly excluded. The following causes have also added to the expenditure:—

- (1) Establishment of a Medical School in Hyderabad, Sind.
- (2) Reorganisation of the staff of the Grant Medical College, Bombay.
- (3) Additional vaccination and dispensary charges in the Punjab.
- (4) The opening of new hospitals and dispensaries from Local Funds in Madras.
- (5) The constitution of a reserve of civil and military subordinates in Madras, consequent on the separation of the civil and military branches.
- (6) The opening of additional dispensaries in the Bombay Presidency.

All this expenditure is under Provincial control or is met from Local Funds. The Government of India has very little to do with it.

183. POLITICAL.

000 s. omitted.

£.1 = Rs. 10.

Y E A R.	Expenditure.	REMARKS.
	£.	
1871-72 - - - - -	316	
1872-73 - - - - -	392	
1873-74 - - - - -	367	
1874-75 - - - - -	405	
1875-76 - - - - -	430	
1876-77 - - - - -	505	
1877-78 - - - - -	469	
1878-79 - - - - -	440	
1879-80 - - - - -	431	
1880-81 - - - - -	531	
TOTAL - - - £	4,395	
Average - - -	429	
1881-82 - - - - -	649	
1882-83 (a) - - - - -	511	(a) Revised Estimate.
1883-84 (b) - - - - -	442	(b) Budget Estimate.

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184. It will be seen from the above table that from 1874-75 to 1879-80, both inclusive, the *Political* charges did not vary greatly. In 1880-81 they rose suddenly to 531,000 *l.*, being 100,000 *l.* in excess of the charges for 1879-80 (431,000 *l.*). This increase of expenditure was mainly due to the Afghan War.

185. In 1881-82 the charges amounted to no less than 649,000 *l.*, being 220,000 *l.* in excess of the average of the 10 preceding years (429,000 *l.*), and 118,000 *l.* in excess of the high expenditure of 1880-81 (531,000 *l.*). The following table shows the heads under which this increase occurred:—

000s omitted.

£. 1 = Rs. 10.

HEADS OF EXPENDITURE.	1880-81.*	1881-82.†	Increase in 1881-82.	Decrease in 1881-82.
	£.	£.	£.	£.
Salaries of Residents and Political Agents.	141,013	143,578	2,565	—
Establishments and Contingent charges	138,649	135,940	-	2,709
Mhairwarra Battalion - - -	14,558	14,661	103	—
Ex-Amir of Afghanistan - - -	3,016	7,351	4,335	—
Establishments and miscellaneous charges on account of Khyber Tribes; also allowances to Khyber Tribes.	20,665	21,478	813	—
State Prisoners - - - -	9,785	6,874	-	2,911
Payments for guarding Hill Passes -	2,139	3,190	1,051	—
Durbar Presents, &c. - - - -	41,768	31,468	-	10,290
Special Political charges - - -	4,000	6,341	2,341	—
Subsidy to Amir of Afghanistan -	-	160,000	160,000	—
„ to Governor of Kandahar -	-	10,000	10,000	—
„ to Khan of Khelat - - -	10,000	10,513	513	—
Moiety of Zanzibar Subsidy - - -	4,320	4,320	—	—
Allowances to Refugee Princes - -	1,147	936	-	211
Allowances to Afghan Refugees - -	4,108	16,709	12,601	—
Naga Expedition - - - -	2,364	49	-	2,315
Entertainment of Envoys and Chiefs -	11,734	14,921	3,187	—
Yarkand Mission Charges - - - -	-	57	57	—
Petty Construction and Repairs - -	111	252	141	—
Rent, Rates, and Taxes - - - -	392	676	284	—
Miscellaneous and sundry items - -	30,038	34,200	4,162	—
Delhi Assemblage, 1st January 1877 -	98	-	-	98
Travelling allowances - - - -	4,596	-	-	4,596
Kabul Mission - - - -	405	-	-	405
Charges in England - - - -	86,287	25,832	-	60,455
TOTAL - - £.	531,183	649,346	118,163	—

* *Finance and Revenue Accounts, 1880-81, p. 86.*
† *Ibid, 1881-82, p. 86.*

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186. It will be seen that, so far as salaries and establishments are concerned, the expenditure of 1881-82 was about the same as that of 1880-81. The increase is, in fact, wholly due either to circumstances arising out of the Afghan War, or out of our actual relations with Afghanistan. The following items testify to the accuracy of this statement:—

	£.	
Salaries more -	2,565	expenditure of 1881-82 was about the same as that of 1880-81. The increase is, in fact, wholly due either to circumstances arising out of the Afghan War, or out of our actual relations with Afghanistan. The following items testify to the accuracy of this statement:—
Establishments less	2,709	
Net less in 1881-82	144	

	£.	Increase of 1881-82 over 1880-81.
Allowances to the Ex-Amir of Afghanistan - - -	4,335	
Subsidy to the Amir of Afghanistan - - -	160,000	
" Governor of Kandahar - - -	10,600	
Allowances to Afghan Refugees - - -	12,601	
TOTAL - - - £.	186,936	

187. The reduction in the Home charges of 1881-82 (60,455 l.) is due to the fact that the accounts of the previous year (1880-81) included a sum of 60,000 l. representing arrear payments for four years, at 15,000 l. a year, on account of Her Majesty's establishments in China.

188. In 1882-83 the charge under this head is estimated at 511,000 l., which, although 82,000 l. in excess of the average for 10 years ending with 1880-81 (429,000 l.), is 138,000 l. less than the expenditure of 1881-82 (649,000 l.), and 20,000 l. less than that of 1880-81 (531,000 l.).

189. The estimated expenditure of 1883-84 is only 442,000 l., but this estimate will probably be exceeded, as since it was framed a subsidy of 120,000 l. a year has been granted to the Amir of Afghanistan.

190. The charges for 1880-81 and 1881-82 were exceptionally high, and there can be no doubt that one of the consequences of the Afghan War will be to permanently increase the expenditure under *Political* as compared with the expenditure prior to the war. This increase is much to be regretted, but the present Government is in no way responsible for it.

190 (a). SCIENTIFIC AND OTHER MINOR DEPARTMENTS.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	Receipts.	Net Expenditure.	REMARKS.
	1.	2.	3.	
	£.	£.	£.	
1871-72 - - -	305	9	296	
1872-73 - - -	396	21	375	
1873-74 - - -	365	23	342	
1874-75 - - -	373	29	344	
1875-76 - - -	396	47	349	
1876-77 - - -	352	53	299	
1877-78 - - -	367	102	265	
1878-79 - - -	355	85	270	
1879-80 - - -	358	99	259	
1880-81 - - -	401	78	323	
TOTAL - - - £.	3,668	546	3,122	
Average - - -	367	55	312	
1881-82 - - -	561	121	440	
1882-83 (a) - - -	467	85	382	(a) Revised Estimate.
1883-84 (b) - - -	496	70	426	(b) Budget Estimate.

191. It will be seen that the net expenditure of 1881-82 (column 3) was 440,000 l., being 128,000 l. in excess of the average expenditure of the 10 years ending with 1880-81 (312,000 l.)

(312,000 L.), and 117,000 L. in excess of the last year of the decade (323,000 L.). The estimated expenditure of 1882-83 is 382,000 L., being 70,000 L. in excess of the average of the 10 years ending with 1880-81 (312,000 L.), and 59,000 L. in excess of the expenditure of 1880-81 (323,000 L.). The estimated expenditure of 1883-84 is 426,000 L., being 114,000 L. in excess of the average of the 10 years ending with 1880-81 (312,000 L.), and 103,000 L. in excess of that of 1880-81 (323,000 L.). It is 14,000 L. less than the expenditure of 1881-82 (440,000 L.), and 44,000 L. more than the estimated expenditure of 1882-83 (382,000 L.).

192. The following table shows in detail the gross expenditure (column 1) for 1880-81, 1881-82, 1882-83 (Revised Estimate), and 1883-84 (Budget Estimate):—

000s omitted.

£. 1 = Rs. 10.

HEAD OF EXPENDITURE.	1880-81.	1881-82.	1882-83, Revised Estimate.	1883-84, Budget Estimate.
	£.	£.	£.	£.
Survey of India - - - -	120	135	135	145
Geological Survey - - - -	19	20	20	20
Exploration of Coal and Minerals - - - -	1	1	2	2
Meteorological Department - - - -	14	15	20	22
Archæological Department - - - -	8	10	10	12
Monuments of Antiquity - - - -	-	4	10	10
Museums - - - -	10	12	11	13
Observatories - - - -	3	1	3	3
Special Astronomical Observations - - - -	-	2	1	-
Donations to Scientific Societies - - - -	2	2	2	2
Agricultural Class - - - -	-	1	-	-
Model Farms - - - -	11	11	11	21
Experimental Factories - - - -	-	2	4	4
Cinchona Plantations - - - -	20	23	19	23
Cotton Department - - - -	1	1	1	1
Public Exhibitions and Fairs - - - -	13	10	9	16
Bull and Stallion charges - - - -	27	34	27	31
Veterinary Class - - - -	1	2	5	5
Botanical and other Public Gardens - - - -	34	37	37	39
Emigration - - - -	5	5	6	6
Inland Labour Transport Fund - - - -	5	5	4	5
Census charges - - - -	30	159	30	-
Registration of Railway Traffic - - - -	-	-	1	1
Registration of River-borne Traffic - - - -	2	1	4	4
Gazetteer and Statistical Memoirs - - - -	4	5	9	11
Provincial Statistics - - - -	17	18	16	18
Examinations - - - -	12	12	11	12
Management of Local Funds - - - -	10	9	9	10
Rents, Rates, and Taxes - - - -	1	1	1	1
Miscellaneous - - - -	1	2	2	3
Agricultural Department - - - -	-	-	6	19
Immigration - - - -	-	-	15	15
Art Industry - - - -	-	-	-	1
Stores and other charges in England - - - -	30	21	26	21
TOTAL - - - £.	401	561	467	496

193. It will be seen that under *Survey of India* there is in 1881-82 (135,000 L.), and in 1882-83 (135,000 L.), an apparent increase of 15,000 L. as compared with 1880-81 (120,000 L.). These figures do not, however, show the real increase over the expenditure of 1880-81 and previous years. An examination of this item shows in a striking manner the fallacy of Mr. Stanhope's method of comparison. A considerable number of survey officers were employed in Afghanistan during the years 1878-79, 1879-80, and 1880-81. The salaries of these officers appeared under *Army*. In 1878-79 the total charge on account of *Survey of India* was 134,000 L., but of this amount only 128,000 L. appeared as a civil charge. The balance (6,000 L.) was treated as war expenditure. In 1879-80 the total charge was again 134,000 L., but of this only 116,000 L. appeared as a civil charge. The balance (18,000 L.) was treated as war expenditure. The total expenditure of 1880-81 was abnormally low. It amounted to 129,000 L., of which 120,000 L. appeared as a civil charge, and the balance (9,000 L.) was treated as war expenditure. Of course, when the war terminated, the survey officers reverted to their ordinary duties, and the whole of their salaries appeared as a civil charge. The expenditure of 1881-82 (135,000 L.), although 6,000 L. in excess of that of 1880-81 (129,000 L.), was only 1,000 L. in excess of that of 1879-80 (134,000 L.) and of 1878-79 (134,000 L.). The estimated expenditure of 1882-83 (135,000 L.), although 6,000 L. in excess of that of 1880-81 (129,000 L.), is only 1,000 L. more than that of 1879-80 (134,000 L.) and of 1878-79 (134,000 L.). The estimated expenditure of 1883-84 (145,000 L.) is high, but this is a very liberal estimate. The actual expenditure is almost sure to fall considerably short of the estimate.

194. There is an increase of expenditure under *Meteorological Department* as compared with 1880-81 (14,000 L.), amounting to 1,000 L. in the case of 1881-82 (15,000 L.), to 6,000 L. in 1882-83 (20,000 L.), and to 8,000 L. in 1883-84 (22,000 L.). It is to be borne in mind that for 1882-83 and 1883-84 the figures are not actuals, but estimates.

195. In connection with this and, indeed, with several other items, in respect to which an increase of expenditure has been incurred, especially under *Scientific and other Minor Departments*, I wish to observe that, when the pressure of the Afghan War was no longer felt, it became the duty of the Government to consider how far practical effect could be given to the recommendations of the Famine Commissioners. Almost all their recommendations involved an increased outlay of money. Had there been any question of imposing additional taxation, it would not have been possible to give effect to the views of the Famine Commissioners, but the Government was fortunately in a position to effect a large reduction of taxation. In a great many cases where expenditure has been increased during the last three years, the necessity of the increase was urged by the Famine Commissioners, and there can, I think, be no question that, if, as a result of that expenditure, something is done towards preventing famine, or, at all events, towards mitigating its disastrous consequences, the money will have been well spent. The Meteorological Department is a case in point. The Famine Commissioners, speaking of meteorological investigations, urged (*Report*, Part I., page 7) that, "as the expense of such researches would be small, the measures which have recently been taken by the Government of India to carry them out should be continued and even extended in the future." The Meteorological Department was therefore strengthened. Hence the estimated increase of expenditure in 1882-83 and 1883-84.

196. Under *Archæological Department* the expenditure was 8,000 L. in 1880-81, and 10,000 L. in 1881-82. In 1882-83 the estimated expenditure is 10,000 L., and in 1883-84 12,000 L. The increase is temporary. It is due (1) to a special grant, to last till the end of 1883-84, made in Madras for the prosecution of the Archæological Survey in Southern India; and (2) to the establishment for three years of an Epigraphical Survey of India, at a cost of 1,776 l. a year.

197. The expenditure under *Monuments of Antiquity* dates from the year 1881-82, when it amounted to 4,000 L. The estimated expenditure of 1882-83 and of 1883-84 is 10,000 L. The decadence of the ancient monuments of India is, as Sir John Strachey frequently pointed out, a matter for great regret. The Government may, I think, very legitimately spend a moderate sum every year with a view to their preservation.

198. Under *Museums* the expenditure in 1880-81 was 10,000 L., and in 1881-82 12,000 L. The estimated expenditure in 1882-83 is 11,000 L., and in 1883-84, 13,000 L. The charge in 1880-81 was somewhat abnormally low, owing to the absence of one of the superior officers.

199. Under *Model Farms* there is no variation of expenditure during the years 1880-81 (11,000 L.), 1881-82 (11,000 L.), and 1882-83 (11,000 L.). In 1883-84 the estimated expenditure is 21,000 L. The increase of expenditure has been incurred in connection with the working of the Agricultural Department. See on this subject the remarks of the Famine Commissioners (*Report*, Part II., page 128).

200. Under *Experimental Factories* there was no expenditure in 1880-81. The expenditure in 1881-82 was 2,000 l. The estimated expenditure in 1882-83 and in 1883-84 is 4,000 L. The expenditure occurs mainly in the North-West Provinces, and is on account

of experiments in well-sinking,* the best method of curing land impregnated with *reh*, &c.

201. Under *Veterinary Class* the expenditure was 1,000 *l.* in 1880-81 and 2,000 *l.* in 1881-82. The estimated expenditure in 1882-83 and in 1883-84 is 5,000 *l.* If by this small expenditure the standard of knowledge on veterinary subjects in India be raised, the money will have been well spent. The increase of expenditure occurs in the Punjab and in Burmah. A veterinary school has been established at Lahore. The establishment of this school was recommended by the Government of India, and received the sanction of the Secretary of State. The object of the school is to afford instruction to natives in veterinary medicine and surgery, and so to supply a want much felt, not only in connection with horse-breeding operations, but in the mounted branches of the service generally, and in a marked degree in connection with the late war in Afghanistan. In Burmah the losses of plough cattle from disease have, up to the present time, been very heavy. The result of this high mortality has, of course, been to impoverish the cultivators. To mitigate the effects of constant outbreaks of cattle disease, it has been decided to train natives of the country as veterinary practitioners, and to distribute those who qualify themselves as such over the tracts in which the annual mortality in cattle is notoriously great. A veterinary school has, therefore, been established, and the expenditure which has been incurred in Burmah is in connection with this institution.

202. The *Census Charges* are, of course, altogether exceptional. They only occur once every 10 years. In 1880-81 the expenditure was 30,000 *l.* The estimated expenditure of 1882-83 is also 30,000 *l.* But the brunt of the expenditure fell on the year 1881-82. In that year it amounted to no less than 159,000 *l.* This mainly accounts for the high gross expenditure under *Scientific and other Minor Departments* in 1881-82 (561,000 *l.*) as compared with 1880-81 (401,000 *l.*) and 1882-83 (467,000 *l.*). Without the *Census Charges* the gross expenditure would stand thus: 1880-81, 371,000 *l.*; 1881-82, 402,000 *l.*; 1882-83, 437,000 *l.*

203. There was no expenditure on *Registration of Railway Traffic* in 1880-81 or in 1881-82. The estimated expenditure in 1882-83 and 1883-84 is 1,000 *l.* in each year. The expenditure under *Registration of River-borne Traffic* stands at 2,000 *l.* in 1880-81, and at 1,000 *l.* in 1881-82. The estimated expenditure in each of the years 1882-83 and 1883-84 is 4,000 *l.* The Secretary of State has often laid great stress on the desirability of obtaining accurate statistics as regards trade on the main routes.

204. The expenditure under *Gazetteer and Statistical Memoirs* was 4,000 *l.* in 1880-81 and 5,000 *l.* in 1881-82. The estimated expenditure in 1881-82 is 9,000 *l.*, and in 1883-84, 11,000 *l.* The increase of expenditure is in connection with the revision of the *Imperial Gazetteer*, the issue of an abridged edition, and the completion of some of the *Local Gazetteers*. The increase is only temporary.

205. There was no expenditure under *Agricultural Department* in 1880-81 or in 1881-82. In 1882-83 the estimated expenditure is 6,000 *l.*, and in 1883-84, 19,000 *l.* This is due to the establishment of Provincial Agricultural Departments. The adoption of this measure "at an early date" was strongly recommended by the *Famine Commissioners (Report, Part II., page 140)*.

206. Under *Immigration* no expenditure was incurred in 1880-81 or in 1881-82. The estimated expenditure in 1882-83 is 15,000 *l.*, and in 1883-84, 15,000 *l.* The increase occurs wholly in Burmah, where an experiment is being made to see whether, by subsidising the British India and the Asiatic Steam Navigation Companies, labour can be attracted to the province.

207. Under *Art Industry* an expenditure of 1,000 *l.* occurs for the first time in 1883-84. This is for a technical school in Burmah. In future the charge will appear under *Education*.

208. It will be seen that the expenditure under *Stores and other Charges in England* shows a tendency to diminish. In 1880-81 it was 30,000 *l.*, and in 1881-82, 21,000 *l.* The estimated expenditure in 1882-83 is 26,000 *l.*, and in 1883-84, 21,000 *l.*

209. I have so far dealt with gross expenditure. The receipts under this head show a tendency to increase (*see column 2 of table in paragraph 190a*). In 1881-82 they amounted to 121,000 *l.*, being considerably in excess of the sum received in any former year. The estimated receipts in 1882-83 amount to 85,000 *l.*, which, although 36,000 *l.* below those of 1881-82 (121,000 *l.*), are 30,000 *l.* above the average of the 10 years ending with 1880-81 (55,000 *l.*). The estimated receipts of 1883-84 are only 70,000 *l.*, but this is a Budget Estimate, and will very possibly be exceeded.

210. There is, without doubt, a tendency to increase the expenditure under the head of *Scientific and other Minor Departments*. In connection with this subject I should wish to draw attention to the remarks made in paragraphs 61 and 62 of my Minute of 11th August 1883, to which this Minute constitutes an Appendix.

* See *Report of Famine Commissioners, Part II., page 169.*

A REDUCTION OF THE EXPENDITURE OF INDIA.

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E.—MISCELLANEOUS.

211. INTEREST.

000s omitted.

£.1=Rs. 10.

Y E A R.	Receipts.	REMARKS.
	£.	
1871-72 - - - - -	371	
1872-73 - - - - -	519	
1873-74 - - - - -	467	
1874-75 - - - - -	559	
1875-76 - - - - -	578	
1876-77 - - - - -	543	
1877-78 - - - - -	534	
1878-79 - - - - -	628	
1879-80 - - - - -	748	
1880-81 - - - - -	876	
TOTAL - - £.	5,823	
Average - - -	582	
1881-82 - - - - -	897	
1882-83 (a) - - - - -	688	(a) Revised Estimate.
1883-84 (b) - - - - -	651	(b) Budget Estimate.

212. The receipts under this head consist mainly of—

- (1) Interest on Government securities (about 6,000,000 L.) held by the Paper Currency Department. The receipts on this account do not, of course, vary considerably.
- (2) Interest on loans made to Municipalities, &c. The receipts under this head are for the most part only nominal, as, if the Government lends to Municipalities, its cash balance is by so much reduced, and the amount it has to borrow annually for Productive Public Works may be held by so much to be increased. Of recent years it has been the policy of the Government not to lend to Municipalities and Local Boards, save under exceptional circumstances, but to leave those bodies to borrow in the open market on their own credit. The receipts under this head may, therefore, be expected to diminish as the existing loans are paid off.
- (3) Advances made to cultivators. The receipts under this head are also to a certain extent nominal.
- (4) The premium, if any, realised on the annual loan issued for Productive Public Works. Under this latter head there have been considerable variations during the last few years.

213. It will be seen that in 1880-81 the receipts under *Interest* were 876,000 L., being 128,000 L. in excess of those of 1879-80 (748,000 L.). The main reason for this difference is, that in 1879-80 no premium was realised upon the annual loan, whereas in 1880-81 a premium of 120,000 L. was realised on the $3\frac{1}{2}$ per cent. sterling loan for 3,500,000 L. raised in that year.

214. In 1881-82 the receipts were 897,000 L. These large receipts were mainly due to the fact that the 4 per cent. rupee loan of 3,000,000 L. issued in 1881-82 was taken up at an exceptionally high figure ($105\frac{3}{8}$), thus yielding a premium of 155,000 L.

215. The receipts for 1882-83 are estimated at 688,000 L., being 209,000 L. below those of 1881-82 (897,000 L.). This decrease is due (1) to the fact that the 4 per cent. loan of 2,500,000 L. issued in 1882-83 was taken up at a discount ($98\frac{1}{8}$); (2) to the fact that in 1881-82, 56,000 L. was realised on account of interest on investments of cash balances in England, whereas the receipts in England in 1882-83 are only taken at 24,000 L., of which 13,000 L. is on account of premium realised on the issue of India 4 per cent. debentures.

216. The estimated receipts in 1883-84 are taken at 651,000 L., being 37,000 L. below the estimated receipts of 1882-83 (688,000 L.). This is due (1) to the fact that the receipts in England have only been taken at 5,000 L. against 24,000 L. in the Revised Estimate for 1882-83. It is probable, however, that the receipts will be higher than the estimate, for after the estimate had been framed a sum of 1,001,393 L. (true sterling) was remitted home

CORRESPONDENCE RELATING TO

on account of the Commissioners for the Reduction of Debt, and this amount has already been invested by the Secretary of State, so that the interest upon this sum during 1883-84 will be brought to credit; (2) there is a reduction in Bombay, amounting to about 4,000 *l.*, due to the fact that the Bombay Port Commissioners have paid off a portion of the loan of 760,000 *l.* made to them by the Government some years ago.

217. TERRITORIAL AND POLITICAL PENSIONS.

000s omitted.

£.1=Rs. 10.

Y E A R.	Expenditure.	REMARKS.
	£.	
1871-72 - - - - -	881	
1872-73 - - - - -	863	
1873-74 - - - - -	989	
1874-75 - - - - -	850	
1875-76 - - - - -	819	
1876-77 - - - - -	802	
1877-78 - - - - -	821	
1878-79 - - - - -	803	
1879-80 - - - - -	699	
1880-81 - - - - -	684	
TOTAL - - - £.	8,211	
Average - - - - -	821	
1881-82 - - - - -	682	
1882-83 (a) - - - - -	688	(a) Revised Estimate.
1883-84 (b) - - - - -	743	(b) Budget Estimate.

218. The expenditure in 1881-82 on *Territorial and Political Pensions* was 682,000 *l.*, being 139,000 *l.* below the average of the 10 preceding years (821,000 *l.*), and 2,000 *l.* below the expenditure of 1880-81 (684,000 *l.*).

219. The estimated expenditure in 1882-83 is 688,000 *l.*, which, although 4,000 *l.* above the expenditure of 1880-81 (684,000 *l.*), is 133,000 *l.* below the average expenditure of the 10 years ending with 1880-81 (821,000 *l.*).

220 The estimated expenditure in 1883-84 is 743,000 *l.* This amount, although 78,000 *l.* below the average of the 10 years ending with 1880-81 (821,000 *l.*), is 59,000 *l.* above the expenditure of 1880-81 (684,000 *l.*), 61,000 *l.* above that of 1881-82 (682,000 *l.*), and 55,000 *l.* above the estimated expenditure of 1882-83 (688,000 *l.*). The excess occurs almost entirely in England. It is due, in the first place, to an advance of 44,000 *l.*, with 4,000 *l.* on account of interest, to his Highness Maharajah Dhuleep Sing. This is an exceptional expenditure which will not recur. In the second place, it is due to a payment of 10,000 *l.* a year for the three years 1881-82, 1882-83, and 1883-84, to his Highness the Nawab Nazim Syud Munsoor Ali. This increase does not represent a fresh sanction of expenditure, but is merely the transfer to the head *Territorial and Political Pensions* of an amount formerly debited under the head "Remittance Account between England and India" in the Home accounts. Excluding these items, amounting in all to 58,000 *l.*, the estimated expenditure in 1883-84 is about normal (685,000 *l.*).

A REDUCTION OF THE EXPENDITURE OF INDIA.

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221. FURLOUGH ALLOWANCES.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	REMARKS.
	£.	
1871-72 - - - - -	173	
1872-73 - - - - -	156	
1873-74 - - - - -	258	
1874-75 - - - - -	217	
1875-76 - - - - -	229	
1876-77 - - - - -	236	
1877-78 - - - - -	237	
1878-79 - - - - -	232	
1879-80 - - - - -	215	
1880-81 - - - - -	224	
TOTAL - - - - £.	2,177	
Average - - - - -	218	
1881-82 - - - - -	223	
1882-83 (a) - - - - -	217	(a) Revised Estimate.
1883-84 (b) - - - - -	227	(b) Budget Estimate.

222. The expenditure under this head varies according to the number of officers on furlough during the year. The average expenditure for the 10 years ending with 1880-81 was 218,000 £, but this average is brought down by reason of the low expenditure in the two first years of the decade (1871-72 and 1872-73), namely, 173,000 £ and 156,000 £, respectively. The expenditure in 1881-82 was 223,000 £, being 5,000 £ in excess of the average of the 10 years ending with 1880-81 (218,000 £), but 1,000 £ less than the expenditure of 1880-81 (224,000 £). The estimated expenditure of 1882-83 is 217,000 £, being 1,000 £ less than the average of the 10 years ending with 1880-81 (218,000 £). The estimated expenditure in 1883-84 is 227,000 £, being 9,000 £ in excess of the average of the 10 years ending with 1880-81 (218,000 £), and 3,000 £ in excess of the last year of the decade (224,000 £). The estimate is a liberal one, and in all probability the full amount will not be spent. A glance at the figures is sufficient to show that no case of extravagant expenditure during the last three years can be made out under this head. From 1881-82 furlough allowances of members of the Bengal Pilot Service, amounting to about 2,000 £, were transferred to this head from *Marine*.

223. SUPERANNUATIONS.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Gross Expenditure.	Receipts.	Net Expenditure.	REMARKS.
	1.	2.	3.	
	£.	£.	£.	
1871-72 - - - - -	1,454	686	768	
1872-73 - - - - -	1,577	590	987	
1873-74 - - - - -	1,523	702	821	
1874-75 - - - - -	1,730	703	1,027	
1875-76 - - - - -	1,940	752	1,188	
1876-77 - - - - -	1,800	611	1,189	
1877-78 - - - - -	1,884	601	1,283	
1878-79 - - - - -	1,997	668	1,329	
1879-80 - - - - -	2,197	525	1,672	
1880-81 - - - - -	2,150	316	1,834	
TOTAL - - - - £.	18,302	6,154	12,148	
Average	1,830	615	1,215	
1881-82 - - - - -	2,183	356	1,826	
1882-83 (a) - - - - -	2,167	293	1,874	(a) Revised Estimate.
1883-84 (b) - - - - -	2,171	293	1,878	(b) Budget Estimate.

CORRESPONDENCE RELATING TO

224. The Government for the time being can never, save in a slight degree, be responsible for the charges under this head. It has to bear the consequences of any rules as regards pensions made by its predecessors. So also, if the Government for the time being makes any changes in the rules, the effect is usually not felt at once. It is felt by subsequent Governments. It will, however, be as well to examine what the real increase of expenditure under this head has been.

225. Mr. Reid stated in the House of Commons, on 8th May 1883, that "the Superannuation and Pension Fund of the country had increased from 1,450,000 £ in 1872 to 2,150,000 £ in 1881." These figures are approximately correct if gross expenditure only be considered. The precise figure for 1871-72 is not, however, 1,450,000 £, as stated by Mr. Reid, but 1,454,000 £. The increase of gross expenditure in 1880-81 as compared with 1871-72 is (2,150,000 £.—1,454,000 £.) 696,000 £.

226. If we look at net expenditure the result will be more unfavourable. The net expenditure in 1871-72 (column 3) was 768,000 £, and in 1880-81, 1,834,000 £; the increase of net expenditure was therefore (1,834,000 £.—768,000 £.) 1,066,000 £.

227. The real increase was, however, considerably less than this amount. The following table gives the detail of the gross expenditure (column 1 of table in para. 223); except for the years 1882-83 and 1883-84. I am unable as yet to give the details of the estimated expenditure in England for these two years.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Super-annuation and Retired Allowances.	Compassionate Allowances.	Gratuities.	Donations to Service Funds.	Covenanted Civil Service Annuities.	Pensions of the Military and Medical Funds.	Indian Navy Fund; East India Company Maritime Service; late Indian Navy; Marine and Bengal Pilot Service.	Annuities of the Madras Civil Funds of 1800, 1814, and 1818.	Miscellaneous Items.	TOTAL.
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1871-72 - - - -	£. 467	£. (a) 51	£. 19	£. 227	£. -	£. 665	£. 20	£. 2	£. 3	£. 1,454
1872-73 - - - -	487	(a) 52	22	313	-	659	20	2	(b) 22	1,577
1873-74 - - - -	489	(a) 47	26	230	39	660	19	2	2	1,523
1874-75 - - - -	483	(a) 49	33	109	399	679	21	2	(c) 5	1,780
1875-76 - - - -	504	(a) 47	22	113	401	829	19	2	3	1,940
1876-77 - - - -	498	(a) 44	23	125	385	703	18	2	2	1,800
1877-78 - - - -	522	(a) 44	55	119	408	691	18	1	1	(d) 1,859
1878-79 - - - -	522	64	33	140	449	767	18	1	4	1,997
1879-80 - - - -	500	51	257	140	422	717	18	1	1	2,197
1880-81 - - - -	662	53	128	148	422	717	19	-	1	2,150
1881-82 - - - -	660	48	31	154	416	805	67	-	1	2,182
1882-83 (e) - - - -	-	-	-	-	442	735	68	-	-	2,167
1883-84 (f) - - - -	-	-	-	-	460	731	68	-	-	2,171

(a) Compassionate allowances were not shown separately in the Home Accounts until after 1877-78. They were included under *Superannuation and Retired Allowances* (column 1). This accounts for the increase in *Compassionate Allowances* shown subsequent to 1877-78.

(b) Of this 20,000 £. represents grants to the younger children of the late Earl of Mayo.

(c) Includes 3,000 £. paid to Sir John Kaye for distinguished service.

(d) This is short of the figure given in Appendix III. to the Financial Statement for 1883-84, and which is repeated in the table in paragraph 223, by 25,000 £. The reason is that in the 13-year Statement attached to the Financial Statement for 1883-84 Local Fund pensions and gratuities are included. These are excluded in the Finance and Revenue Accounts for 1877-78, from which the figures in the table given above are taken.

(e) Revised Estimate.

(f) Budget Estimate.

228. I invite attention to columns 4 and 5 of this table. It will be seen that under *Donations to Service Funds* (column 4) there was a sudden diminution of the expenditure subsequent to 1872-73. On the other hand, the expenditure under *Covenanted Civil Service Annuities* (column 5) began simultaneously with the diminution of expenditure under *Donations to Service Funds*. This is due to the following cause. Prior to 1873-74 members of the Covenanted Civil Service paid 4 per cent. of their salary to an Annuity Fund. The whole of the salary was debited in the accounts under the service heads. On the other hand, the 4 per cent. deduction was credited to the Annuity Fund. For instance, if a District Officer received 1,000 *l.* a year, the whole of this 1,000 *l.* would, prior to 1873-74, have appeared as expenditure under, say, *General Administration*. On the other hand, 4 per cent. on 1,000 *l.*, i.e., 40 *l.*, would have been credited to the Annuity Fund. The Government paid 8 per cent. interest on the assets of the Fund. Of this, 4 per cent. appeared as a charge under *Interest*, and 4 per cent. appeared as a *Donation to Service Funds* (column 4),* under the major head of *Superannuations*. Since 1873-74, when the Government took over the Annuity Funds, the net salaries have been debited to the service heads. For instance, a District Officer, who, prior to 1873-74, received 1,000 *l.* a year and paid 40 *l.* a year to the Fund, would, since 1873-74, receive 960 *l.* and make no payment to the Fund. As a result of this transaction the expenditure under *General Administration* and other service heads was reduced by an amount which may be roughly estimated at 60,000 *l.* a year. At the same time the 4 per cent. charge under *Interest* also ceased. This charge at the time the Funds were taken over amounted to about 200,000 *l.* It follows, therefore, that in comparing the expenditure of 1871-72 with that of 1880-81 allowance must be made for a saving in the latter, as compared to the former year, of 260,000 *l.* under other heads. The figures of gross expenditure would then stand thus:—

	£.	£.
Gross expenditure in 1871-72	- - - -	1,454,000
" " 1880-81	2,150,000	
Deduct:—		
Savings under service heads	60,000	
" " <i>Interest</i>	200,000	
TOTAL Savings	260,000	
		1,390,000
Real Excess of 1880-81 over 1871-72	- - - £.	436,000

229. Some further points have to be taken into account in considering these figures.

230. In the first place, it will be observed that after 1878-79 there was a large increase of expenditure under *Superannuation and Retired Allowances* (column 1), as well as under *Gratuities* (column 3). This increase is due to the large reductions in Public Works Establishments in 1879-80. It was estimated (Financial Statement for 1880-81, para. 165) that these reductions would result in a saving of salaries to the extent of 247,500 *l.* a year.

	Column 1	Column 3.
	£.	£.
1878-79	522,000	32,000
1879-80	590,000	257,000
1880-81	662,000	128,000
1881-82	660,000	31,000

231. The charge under *Superannuations and Retiring Allowances* (column 1) will be permanently increased by reason of these reductions; that is to say, the increase will last for many years, although, of course, the charge will diminish as the officers who were specially retired die off. On the other hand, the increase under *Gratuities* is only temporary, the payments being made once and for all. It will be seen that in 1881-82 the charge under this head was only 31,000 *l.*, as compared with 128,000 *l.* in 1880-81, and 257,000 *l.* in 1879-80.

232. In

* It will be seen that the payments under *Donations to Service Funds*, although greatly diminished subsequent to 1873-74, did not altogether cease. This is due to the fact that Government still continues to pay 8 per cent. interest on a portion of the Funds which was not taken over. There were also other funds independently of the Annuity Funds which the Government did not take over.

232. In the second place, the charge in 1881-82 (805,000 *l.*) under *Pensions of the Military and Medical Funds* (column 6) was abnormally high, owing to the return to subscribers, who elected to retire from the Bengal Medical Retiring Fund, of 90,000 *l.*, being the amount at their credit on 31st December 1881, with compound interest at 6 per cent., subject to a reduction of 10 per cent. This charge will not recur.*

233. In the third place, the estimated charges for 1882-83 and 1883-84 are increased by reason of the reductions in Customs Establishments, though, of course, the saving under the service head of *Customs* is greater than the increase under the head *Superannuations*. I have shown, in paragraph 63, that the estimated expenditure under *Customs* in 1883-84 (144,000 *l.*) is less than the average expenditure of the 10 years ending with 1880-81 (194,000 *l.*) by 50,000 *l.* On the other hand, the increase under *Superannuations* on account of pensions is about 12,000 *l.* a year, and the temporary increase under the same head during the years 1882-83 and 1883-84 on account of gratuities is about 25,000 *l.* In this case, as in the case of the Public Works Department reductions, the increase for pensions will last for some years, whilst that on account of gratuities represents payments made once and for all.

234. In the fourth place, it will be seen that there is a sudden increase from 19,000 *l.* in 1880-81 to 67,000 *l.* in 1881-82, and to 68,000 *l.* in 1882-83 and 1883-84, under *Indian Navy Fund, &c.* (column 7). This is due to the transfer to *Superannuations* of Marine pensions and retiring allowances, of pensions of officers of the late Indian Navy, and of pensions to members of the Bengal Pilot Service, amounting to about 48,000 *l.* a year. On the other hand, I believe I am correct in stating that an amount of about 21,000 *l.* in 1881-82, and 24,000 *l.* in 1882-83 and 1883-84, on account of military pensions, has been transferred in England from *Superannuations* to *Army*.

235. Again, the expenditure of the year 1882-83 is increased by reason of the provident branch of the late Bombay Civil Fund having been abolished, thus adding 11,300 *l.* to the expenditure of that year. There is, however, owing to the same cause, an estimated decrease in 1883-84 of about 6,000 *l.* under *Superannuations*, as well as a reduction of expenditure under the head of *Interest* of about 40,000 *l.*

236. There are so many disturbing causes in connection with these figures that it is difficult to make an accurate comparison which will bring out the real increase during recent years. If, however, we compare the figures of 1881-82, which is the last year for which I am able to give the details, with those of 1877-78, which I think may be said to be a normal year, we arrive at the following result:—

	£.	£.
Gross expenditure in 1877-78 (column 1 of table in paragraph 223) - - - - -	- - -	1,884,000
Gross expenditure in 1881-82 - - - - -	2,182,000	
Deduct exceptional payments:—	£.	
Under column 6 of table in paragraph 227 (see paragraph 232) - - - - -	90,000	
Transfer of Marine Pensions, &c. (48,000 <i>l.</i>), less 21,000 <i>l.</i> transferred to <i>Army</i> (see paragraph 234) - - - - -	27,000	
	117,000	
Expenditure of 1881-82 for purposes of comparison with 1877-78		2,065,000
Real Excess of 1881-82 over 1877-78 - - - £.		181,000

237. Against this increase of 181,000 *l.* the savings on account of salaries of Public Works officers (see paragraphs 230, 231) have to be balanced. On the whole, although the expenditure under *Superannuations* ought to be very carefully watched, I think it is quite clear that the growth under this head is by no means so serious as would at first sight appear.†

* I ought to mention that I do not profess to have gone thoroughly into the past history of all the funds, the transactions in connection with which bear on the figures in column 6. The task would be a very laborious one, and I have not time to spare for it.

† If the calculation be made for any year subsequent to 1881-82, the saving under *Customs* (see paragraphs 63 and 233) must, of course, be taken into account.

A REDUCTION OF THE EXPENDITURE OF INDIA.

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238. STATIONERY AND PRINTING.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	Receipts.	Net Expenditure.	RE MARKS.
	1.	2.	3.	
	£.	£.	£.	
1871-72 - - - -	213	17	196	
1872-73 - - - -	242	32	210	
1873-74 - - - -	258	55	203	
1874-75 - - - -	261	50	211	
1875-76 - - - -	262	69	203	
1876-77 - - - -	454	50	404	
1877-78 - - - -	442	35	407	
1878-79 - - - -	472	47	425	
1879-80 - - - -	418	56	362	
1880-81 - - - -	485	62	423	
TOTAL - - - £.	3,507	463	3,044	
Average - - -	350	46	304	
1881-82 - - - -	566	58	508	
1882-83 (a) - - -	494	58	436	(a) Revised Estimate.
1883-84 (b) - - -	462	57	405	(b) Budget Estimate.

239. Sir John Strachey said (*The Finances and Public Works in India*, page 43): "The expenditure for Stationery and Printing is large, but it is difficult to over-estimate the advantage to the administration and the dispatch of public business resulting from the free use of printing. A considerable reduction under this head was made in 1871-72 and 1875-76, but it was not maintained."

240. A reference to the table given above (paragraph 238) will show that the charge under this head has been steadily increasing. In 1871-72 the net charge was only 196,000 l. In 1880-81 it was 423,000 l. The expenditure of 1881-82 (508,000 l.) was abnormally large, owing to exceptionally large purchases of stock, and to the heavy work of the census. The estimated expenditure of 1882-83 (436,000) is more moderate, and that of 1883-84 (405,000 l.) is 18,000 l below that of 1880-81 (423,000 l.), but the expenditure would have been higher had not the cost of printing Currency Notes in England been transferred to the head of *General Administration* (see paragraph 149).

241. Considering the rapidly extending work in connection with the Post Office, Savings Banks, Money Orders, and Railways, an increase under this head is to be expected.

242. MISCELLANEOUS.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	Receipts.	Refunds.	Receipts after deduction of Refunds (Difference of Columns 2 and 3).	Net Revenue + or Expenditure — (Difference of Columns 1 and 4).
	1.	2.	3.	4.	5.
	£.	£.	£.	£.	£.
1871-72 - - - -	456	702	66	636	+180
1872-73 - - - -	700	658	55	603	- 97
1873-74 - - - -	726	852	79	773	+ 47
1874-75 - - - -	420	636	108	528	+108
1875-76 - - - -	806	685	74	611	-195
1876-77 - - - -	475	615	63	552	+ 77
1877-78 - - - -	388	528	78	450	+ 62
1878-79 - - - -	293	348	117	231	- 62
1879-80 - - - -	342	337	74	263	- 79
1880-81 - - - -	280	732	77	655	+375
TOTAL - - - £.	4,886	6,093	791	5,302	+416
Average - - -	489	609	79	530	+ 41
1881-82 - - - -	391	396	(a)	396	+ 5
1882-83 (b) - - -	339	326	(a)	326	- 13
1883-84 (c) - - -	365	268	(a)	268	- 97

(a) Included, in 1881-82, 1882-83, and 1883-84, in expenditure (column 1).

(b) Revised Estimate.

(c) Budget Estimate.

CORRESPONDENCE RELATING TO

243. It will be observed that since 1881-82, inclusive, *Refunds* have been brought to account as expenditure under *Miscellaneous*. The Refunds for those years are, therefore, included in the figures given in column 1. On the other hand, in all previous years the figures in column 1 do not include Refunds. In order to make any accurate comparison, so far as the gross expenditure is concerned, we must deduct the Refunds in the three last years under review. The amount of Refunds in 1881-82 was 99,000 *l.* The estimated amount in each of the years 1882-83 and 1883-84 is 78,000 *l.* Deducting these amounts, the gross expenditure of 1881-82 (column 1) was (391,000 *l.* — 99,000 *l.*) 292,000 *l.* The estimated gross expenditure of 1882-83 is (339,000 *l.* — 78,000 *l.*) 261,000 *l.* The estimated gross expenditure of 1883-84 is (365,000 *l.* — 78,000 *l.*) 287,000 *l.* The figures compare very favourably with the average expenditure of the 10 years ending with 1880-81 (489,000 *l.*). No further remarks appear, therefore, to be required so far as the gross expenditure is concerned.

244. Looking to the receipts (column 2), it will be seen that they have varied very greatly. In 1873-74 they were as much as 852,000 *l.* In 1879-80 they were as low as 337,000 *l.* The average for the 10 years ending with 1880-81 is 609,000 *l.* The differences between the figures for the years 1873-74 to 1875-76 (both inclusive), which are given above (para. 242), and those in the 13 years' statement attached to the Financial Statement for 1883-84, are explained in para. 1.

245. I may mention that there were abnormal credits under this head in the year 1880-81, an item of 294,000 *l.* having been brought to credit by transfer from the Nizam Stipend Fund (see Financial Statement for 1882-83, para. 12), and an item of 69,000 *l.* having been credited in the home accounts as sale proceeds of land adjoining the India Office.

246. FAMINE RELIEF.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	REMARKS.
	£.	
1871-72 - - - - -	—	
1872-73 - - - - -	—	
1873-74 - - - - -	3,865	
1874-75 - - - - -	2,243	
1875-76 - - - - -	602	
1876-77 - - - - -	2,145	
1877-78 - - - - -	5,346	
1878-79 - - - - -	313	
1879-80 - - - - -	104	
1880-81 - - - - -	34	
TOTAL - - - £.	14,652	
Average - - -	1,465	
1881-82 - - - - -	1,500*	
1882-83 (a) - - - - -	1,500*	(a) Revised Estimate.
1883-84 (b) - - - - -	1,500*	(b) Budget Estimate.

* Of these amounts, 750,000 *l.* was, or will (if in the case of 1883-84 there is no famine) be, applied to Protective Works, and 750,000 *l.* to the reduction of Debt.

247. In making his comparison, Mr. Stanhope deducted the money spent on *Famine Relief* during the decade ending with 1880-81. I need not, therefore, enter into any discussion of the expenditure under this head. The actual and estimated distribution of the Famine Insurance money during the three years 1881-82, 1882-83, and 1883-84, is shown in the following table:—

	1881-82.	1882-83.	1883-84.
	£.	£.	£.
Famine Relief - - - - -	34,849	25,600	12,500
Protective Works (Canals and Railways) - - -	750,000	144,200	1,355,800
Reduction of Debt - - - - -	715,151	1,330,200	131,700
£.	1,500,000	1,500,000	1,500,000
	Actuals.	Estimates.	

G.—PRODUCTIVE PUBLIC WORKS (REVENUE ACCOUNT).

248. In the debate in the House of Commons on 8th May 1883, Mr. Reid said that the debt of India, which was only 30,000,000 *l.* in 1840, had risen to 106,000,000 *l.* in 1862, and to 156,000,000 *l.* in 1882. Mr. Reid appeared to think that these figures showed that the finances of India were in a very bad way. As I have often said before,* I do not at all wish to under-rate the difficulties connected with the financial administration of India, but it is disappointing, after the many explanations which have been given on this subject, still to hear arguments used tending to show that the rising debt of India is any proof that the financial position is unsound. It has been shown over and over again that with a rising debt there is a diminishing charge on account of interest. This subject was fully dealt with by Sir John and General Strachey in their recent work, and I cannot add much to what they have said. I will only say that, whereas, when they wrote, they were only able to give the figures up to 1880-81, if the figures up to the present time be added, the result would very much strengthen their argument.

249. The debt of India is divided into two distinct portions, namely, Ordinary Debt and Productive Debt. Of the total figure of 156,000,000 *l.*, at which the debt, both Ordinary and Productive, stood on 31st March 1882 (see *Finance and Revenue Accounts*, 1881-82, p. 161), about 97,000,000 *l.* was Ordinary, about 48,000,000 *l.* debt for Productive Public Works, and about 11,000,000 *l.* debt incurred on account of the East Indian Railway.

250. I have not a word to say in favour of the 97,000,000 *l.* of Ordinary Debt. The interest charge on this debt, which in 1881-82 amounted to 4,024,000 *l.*, but which, as I have already mentioned (para. 4), has now been slightly reduced, owing to the money which has been applied since 1881-82, inclusive, to the reduction of debt, constitutes a dead-weight on the country. It is the price India is now paying for the suppression of the Mutiny, and for the various wars in which she has been engaged during the present century. So long as peace is maintained it is improbable that this charge will increase. The increased charge on account of interest on any special famine loans will, it may be hoped, be balanced by the reduction of charge which it will be possible to effect in years in which there is no famine.

251. On the other hand, the debt on account of Productive Public Works, amounting to about 48,000,000 *l.*, entails at present a charge amounting to only about '3 per cent. on the capital outlay, and the time is fast approaching when the works constructed out of this capital will not only pay the whole of their interest, but will yield a surplus profit to the State besides. I invite attention to the following table, showing the net revenue and expenditure on State Railways, Irrigation, and Miscellaneous Public Improvements, since 1879-80.† I should explain that in compiling this table the interest charge has been brought to account; that is to say, when it is stated that in 1876-77 the net expenditure on State Railways was 436,000 *l.*, what is meant is this, that the gross revenue was 381,000 *l.*, that the working expenses were 288,000 *l.*, that the interest charge on the capital expended was 529,000 *l.*, and that, therefore, the total charge on account of working expenses and interest, namely (288,000 *l.* + 529,000 *l.*), 817,000 *l.*, was 436,000 *l.* in excess of the gross revenue, 381,000 *l.*

000s omitted.

£. 1 = Rs. 10.

Y E & R.	Net Revenue +, Expenditure —.				REMARKS.
	State Railways.	Irrigation	Miscellaneous Public Improvements.	TOTAL.	
	1.	2.	3.	4.	
	£.	£.	£.	£.	
1879-80 - - -	-715	+342	-13	-386	
1880-81 - - -	-543	+190	-17	-370	
1881-82 - - -	-289	+116	-18	-191	
1882-83 (a) - - -	-177	+ 74	-20	-123	(a) Revised Estimate.
1883-84 (b) - - -	-150	+ 28	-22	-144	(b) Budget Estimate.

252. It

* See especially paragraph 8 of the Financial Statement for 1883-84.
 † Before 1876-77, as I have already explained (paragraph 3), the interest on debt incurred for Productive Public Works was not separated in the Finance and Revenue Accounts from the interest on Ordinary Debt. Also, before 1878-79 the *Portion of Land Revenue due to Irrigation* was not credited to Productive Public Works Revenues (see paragraph 11), and the separation of the two charges made in 1878-79 was very imperfect (see paragraphs 260, 261). I commence the comparison therefore from 1879-80.

CORRESPONDENCE RELATING TO

252. It will be seen, from these figures, that the net charge on account of Productive Public Works in 1879-80 was 386,000 *l.*, and that since that year the net charge has been steadily falling. In 1881-82, which is the last year for which we have the final figures, the net charge was only 191,000 *l.* The estimated net charge in 1882-83 is 123,000 *l.*, and in 1883-84, 144,000 *l.* I have very little doubt that, when the accounts of 1882-83 and 1883-84 come to be closed, the results will prove better than the estimates. But, even taking the figures of the Budget Estimate for 1883-84, the net charge on the State is, as I have already mentioned (paragraph 251), only '3 per cent. on the total capital outlay of 48,000,000 *l.*

253. If the net receipts on account of the Guaranteed Railways, and on account of the East Indian Railway, were added, the estimated net charge of 123,000 *l.* in 1882-83, and of 144,000 *l.* in 1883-84, would be turned into net receipts of 452,000 *l.* and 520,000 *l.*, respectively (see Comptroller General's Statement, Appendix III.). We know, from the preliminary actuals of 1882-83, that the results on the whole railway account will be somewhat better than the Revised Estimate, and during the first quarter of the current year (1883-84) the net result has been much better than the Budget Estimate. I now proceed to deal separately with each of the different heads which appear under *Productive Public Works (Revenue Account)*.

254. STATE RAILWAYS.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Gross Earnings.	Working and Maintenance.	Interest on Capital Outlay.*	Total of Columns 2 and 3.	Net Revenue + or - Expenditure (Difference of Columns 1 and 4).	REMARKS.
	1.	2.	3.	4.	5.	
	£.	£.	£.	£.	£.	
1871-72 - - -	4	8	61	69	- 65	
1872-73 - - -	16	11	101	112	- 96	
1873-74 - - -	40	46	178	224	- 184	
1874-75 - - -	131	86	285	371	- 240	
1875-76 - - -	293	196	408	604	- 311	
1876-77 - - -	381	288	529	817	- 436	
1877-78 - - -	582	426	666	1,092	- 510	
1878-79 - - -	977	740	913	1,653	- 676	
1879-80 - - -	1,549	1,215	1,049	2,264	- 715	
1880-81 - - -	2,269	1,608	(a) 1,204	2,812	- 543	
TOTAL - - - £.	6,242	4,624	5,394	10,018	- 3,776	
Average - - -	624	463	539	1,009	- 378	
1881-82 - - -	2,557	1,686	1,160	2,846	- 289	
1882-83 (b) - - -	2,583	1,533	1,227	2,760	- 177	(b) Revised Estimate.
1883-84 (c) - - -	2,730	1,572	1,308	2,880	- 150	(c) Budget Estimate.

(a) These figures do not correspond with the 13-year Statement in Appendix III. attached to the Financial Statement for 1883-84. The reason is that in the latter the interest on debt incurred on account of the capital expenditure on the East Indian Railway, since it became State property, is included. In the figures given above it is excluded (see table in paragraph 258). *

* See paragraph 3. In the 13-year Statement attached to the Financial Statement for 1883-84 this interest charge is only shown from the year 1876-77, inclusive.

255. It is to be observed that the maximum charge (715,000 *l.*) was reached in 1879-80. Since that year the net charge has steadily decreased. In 1880-81 it was 543,000 *l.*, and in 1881-82 it was 289,000 *l.* The estimated charge in 1882-83 is 177,000 *l.*, and in 1883-84, 150,000 *l.* I have little doubt that these estimates, especially that for the current year, show a less favourable result than will be shown when the actuals are made up. Even as it is, however, the net charge to the State is exceedingly small. The estimated capital outlay on State Railways up to the end of 1883-84 is 33,773,000 *l.* The net charge in 1883-84 is estimated at 150,000 *l.*, that is to say, only '44 per cent. on the capital outlay. I have no doubt whatever that, after a very short time, the State Railways will yield a net profit after paying for the full interest charge upon the money borrowed.

A REDUCTION OF THE EXPENDITURE OF INDIA.

101

256. GUARANTEED RAILWAYS.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Net Traffic	Interest and	Net Revenue+	REMARKS.
	Receipts.	Profits.	or Expenditure—.	
	1.	2.	3.	
	£.	£.	£.	
1871-72	1,585	3,138	— 1,553	
1872-73	1,207	3,269	— 2,062	
1873-74	1,592	3,269	— 1,677	
1874-75	1,960	3,214	— 1,254	
1875-76	2,453	3,325	— 872	
1876-77	2,642	3,295	— 653	
1877-78	3,628	3,442	+ 186	
1878-79	2,710	3,526	— 816	
1879-80	2,476	3,394	— 918	
1880-81	2,894	3,411	— 517	
TOTAL	23,147	33,283	— 10,136	
Average	2,314	3,326	— 1,014	
1881-82	3,615	3,679	— 64	
1882-83 (a)	3,530	3,846	— 316	(a) Revised Estimate.
1883-84 (b)	3,539	3,884	— 345	(b) Budget Estimate.

257. It will be seen from the above table (column 3) that the maximum net charge on account of the Guaranteed Railways was reached in 1872-73. In that year they cost the State 2,062,000 l. Subsequently the net charge steadily decreased, until in the year 1877-78 a profit was realised of 186,000 l.; this, however, was only due to the very heavy traffic during the famine. During the next two years the country was suffering from the depression consequent on the famine. The result was that in 1878-79 there was a net loss of 816,000 l., and in 1879-80 a net loss of 918,000 l. In 1880-81 the net charge had diminished to 517,000 l., and in 1881-82 the net charge was only 64,000 l. The receipts during this year were swelled by the very heavy traffic consequent on the large exports of wheat to Europe. The estimated net loss of 1882-83 is 316,000 l., which, although higher than the year 1881-82 (64,000 l.) by 252,000 l., is less than the net charge of 1880-81 (517,000 l.) by 201,000 l. We know also that the actuals of 1882-83 will turn out somewhat better than the Revised Estimate. The estimated net charge for 1883-84 is 345,000 l., but there can be little doubt that this is a very low estimate, and that the actuals will show a more satisfactory result. Even as it is, however, the result cannot be considered as unsatisfactory. The total capital outlay on the guaranteed lines up to the end of 1883-84 will be 69,000,000 l. Even, therefore, according to the Budget Estimate of 1883-84 the charge borne by the State will be only .5 per cent. on the total capital outlay.

258. EAST INDIAN RAILWAY.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Net Traffic	Interest	Interest on	Totals of	Net revenue
	Receipts.	and Profits.	Capital raised by the State. (a)	Columns 2 and 3.	(Difference of Columns 1 and 4.)
	1.	2.	3.	4.	5.
	£.	£.	£.	£.	£.
1871-72	1,607	1,525	-	1,525	82
1872-73	1,656	1,578	-	1,578	78
1873-74	2,025	1,585	-	1,585	440
1874-75	2,172	1,877	-	1,877	295
1875-76	1,808	1,604	-	1,604	204
1876-77	2,446	1,686	-	1,686	760
1877-78	2,966	2,013	-	2,013	953
1878-79	2,491	2,075	-	2,075	416
1879-80	3,095	2,068	-	2,068	1,027
1880-81	2,789	1,382	397	1,779	1,010
TOTAL	23,055	17,393	397	17,790	5,265
Average	2,305	1,739	40	1,779	526
1881-82	3,261	1,439	434	1,873	1,388
1882-83 (b)	2,845	1,465	489	1,954	891
1883-84 (c)	2,907	1,396	502	1,898	1,009

(a) There was, of course, no interest charge until the railway became the property of the State. See note (b) to table in paragraph 254. (b) Revised Estimate. (c) Budget Estimate.

CORRESPONDENCE RELATING TO

259. Any comparison with the average of the 10 years ending with 1880-81 is in this case fallacious, because until the year 1879-80 the East Indian Railway was a guaranteed line. It then became the property of the State. It will be seen that the net revenue (column 5) in 1879-80 was 1,027,000 *l.*, being a very much higher figure than for any previous year except 1877-78, when the net revenue (953,000 *l.*) was exceptionally large by reason of the heavy traffic during the famine. In 1881-82 the net revenue amounted to no less than 1,388,000 *l.* These large receipts were due, in the first place, to heavy wheat traffic, and in the second place to the fair, called the *Kumbh Mela*, which takes place once every 10 years at Allahabad. The estimated net revenue in 1882-83 is 891,000 *l.* The estimated net revenue in 1883-84 is 1,009,000 *l.*, but I have very little doubt that this estimate will be exceeded. From 1st April to 30th June of the current year the receipts were about 250,000 *l.* in excess of those during the corresponding period of 1882.

260. IRRIGATION AND NAVIGATION.

000s omitted.

£ 1 = Rs. 10.

Y E A R.	Direct	Madras	Portion of	Total	Working	Madras	Interest on	Total	Net
	Receipts.	Irrigation and Canal Company (Net Traffic Receipts).	Land Revenue due to Irrigation. (a)	Receipts. (Total of Columns 1, 2, and 3)	and Maintenance.	Irrigation and Canal Company (Interest, &c).	Capital Expenditure. (b)	Expenditure. (Total of Columns 5, 6, and 7.)	Revenue + or Expenditure— (Difference of Columns 4 and 8.)
	1.	2.	3.	4.	5.	6.	7.	8.	9.
	£.	£.	£.	£.	£.	£.	£.	£.	£.
1871-72 - - -	380	— 8	- -	372	235	51	156	442	— 70
1872-73 - - -	358	— 6	- -	352	255	51	192	498	—146
1873-74 - - -	377	—11	- -	366	266	50	281	547	—181
1874-75 - - -	390	— 7	- -	383	290	51	279	620	—237
1875-76 - - -	490	—18	- -	412	351	51	326	728	—316
1876-77 - - -	425	— 3	- -	422	383	51	367	781	—359
1877-78 - - -	503	— 9	- -	494	371	50	402	823	—329
1878-79 - - -	613	+ 9	127	749	382	50	468	920	—171
1879-80 - - -	708	+16	602	1,326	414	50	520	984	+342
1880-81 - - -	639	— 8	797	1,428	425	51	702	1,238	+190
TOTAL - - £.	4,823	—45	1,526	6,304	3,352	506	3,723	7,581	—1,277
Average - - -	462	— 5	153	630	335	51	372	758	—128
1881-82 - - -	865	— 9	491	1,347	455	50	726	1,231	+116
1882-83 (c) - - -	884	— 5	532	1,411	520	25	786	1,337	+ 74
1883-84 (d) - - -	885	- -	546	1,431	549	- -	854	1,403	+ 28

(a) Not shown separately till 1878-79.

(b) See paragraph 3. This charge was not shown separately in the Accounts and Estimates till 1876-77, inclusive.

(c) Revised Estimate. (d) Budget Estimate.

261. Column 9 in this table shows the net result of irrigation works constructed as productive public works, but any conclusion based on the 10 years' average is obviously fallacious, because the *Portion of Land Revenue due to Irrigation* (column 3) was not credited to the works until 1878-79, and then only partially.

262. Turning to column 1 (direct receipts) it will be seen that in 1879-80 they amounted to 708,000 *l.* The receipts on account of water-rates in that year were exceptionally high. In 1880-81 the receipts were 639,000 *l.* The receipts of 1881-82 were 865,000 *l.*, being 226,000 *l.* in excess of those of the preceding year (1880-81). The estimated receipts in 1882-83 are 884,000 *l.*, and in 1883-84, 885,000 *l.* There has been a large and satisfactory increase in the direct receipts since 1880-81. But a portion of this increase is only nominal. In the first place, arrears to a considerable amount remained over from 1880-81, which have been collected since. In the second place, the Eastern Jumna Canal was transferred in 1880-81 from the ordinary to the productive account, increasing thus both the revenue and expenditure under the latter, and proportionately diminishing them under the former head.

263. In 1882-83 the Madras Irrigation and Canal Company's undertaking became the property of the Government. This accounts for the entries in columns 2 and 6 being blank in the year 1883-84.

264. I should explain that the exceptionally large receipts (797,000 *l.*) in 1880-81 under *Portion of Land Revenue due to Irrigation* were mainly on account of arrears on assigned lands omitted in the accounts of former years, and brought to account in 1880-81. The receipts under this head in Madras were also shown at too high a figure until the year 1881-82.

265. Turning

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265. Turning to the expenditure, the cost of working and maintenance (columns 5 and 6) since 1879-80 has been as follows :—

	£
1879-80 - - - - -	464,000
1880-81 - - - - -	476,000
1881-82 - - - - -	505,000
1882-83 (Revised Estimate) - - - - -	551,000
1883-84 (Budget Estimate) - - - - -	549,000

There is little to be said about these figures. As new canals are opened the working expenses must, of course, increase. For instance, provision is for the first time made in 1883-84 (6,000 L) for the working expenses of the Sirhind Canal, which was recently opened. The transfer of the Eastern Jumna Canal to the productive head (see paragraph 262) involves, of course, a nominal increase of expenditure. I should also mention that in 1882-83 the Desert Canal and Eastern Nara Works (Bombay) were transferred from the ordinary to the productive head.

266. These transfers render any comparison between the figures of recent years given in columns 8 and 9 of little value, but it may be said that the net revenue from productive irrigation works shows a slow but steady tendency to increase. The capital invested up to the end of 1883-84 is estimated at 21,833,000 L. According to the Budget Estimate of that year the net receipts (28,000 L), after paying interest on the money borrowed, will yield a return of .13 per cent. on the capital outlay.

267. MISCELLANEOUS PUBLIC IMPROVEMENTS.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	
No expenditure prior to 1878-79.		
	£.	
1878-79 - - - - -	6	
1879-80 - - - - -	13	
1880-81 - - - - -	17	
1881-82 - - - - -	18	
1882-83 (a) - - - - -	20	(a) Revised Estimate.
1883-84 (b) - - - - -	22	(b) Budget Estimate.

268. This expenditure is entirely on account of interest upon the capital sunk in making the Madras Harbour. The present Government is in no way responsible for this work, which was commenced in 1878-79. The Government is never likely to get any but a very slight direct pecuniary return on the capital which it has laid out in this undertaking.

H.—PUBLIC WORKS NOT CLASSED AS PRODUCTIVE.

269. STATE RAILWAYS, CAPITAL ACCOUNT.

000s omitted.

£.1 = Rs. 10.

Y E A R.	Expenditure.	REMARKS.
	£.	
1871-72 - - - - -	3	
1872-73 - - - - -	11	
1873-74 - - - - -	33	
1874-75 - - - - -	105	
1875-76 - - - - -	66	
1876-77 - - - - -	27	
1877-78 - - - - -	71	
1878-79 - - - - -	221	
1879-80 - - - - -	472	
1880-81 - - - - -	77	
TOTAL - - - £.	1,086	
Average - - -	109	
1881-82 - - - - -	248	
1882-83 (a) - - - - -	439	(a) Revised Estimate.
1883-84 (b) - - - - -	510	(b) Budget Estimate.

CORRESPONDENCE RELATING TO

270. The figures for 1881-82, 1882-83 (Revised Estimate), and 1883-84 (Budget Estimate), are divided between imperial and provincial expenditure in the following manner:—

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Imperial. 1.	Provincial. 2.	TOTAL. 3.	REMARKS.
	£.	£.	£.	
1881-82 - - - -	122	126	248	
1882-83 (a) - - -	61	378	439	(a) Revised Estimate,
1883-84 (b) - - -	87	423	510	(b) Budget Estimate,

271. The Imperial expenditure in 1881-82 was 122,000 *l.*, as compared with 57,000 *l.* in 1880-81. Of this amount, 70,000 *l.* represented the Imperial contribution to the Bhopal Railway.

272. The estimated Imperial expenditure in 1882-83 is 61,000 *l.*, being 61,000 *l.* less than that of 1881-82 (122,000 *l.*). This diminution of expenditure is due (1) to the fact that the contribution on account of the Bhopal line will be only 55,000 *l.*, instead of 70,000 *l.*; (2) to the fact that 50,000 *l.* of money already spent by the Government will be refunded by the Southern Mahratta Railway Company. On the other hand, there is a slight increase due to several surveys having been undertaken. I consider this expenditure very necessary. One of the weak points of our Public Works administration up to the present time has certainly been that the Government has not accumulated sufficiently detailed information about the various railway projects which have from time to time been discussed. Until such information is obtained, the lines cannot be undertaken either by the Government or by private enterprise, even although the capital necessary to their construction may be forthcoming.

273. The estimated Imperial expenditure of 1883-84 is 87,000 *l.*, being 26,000 *l.* in excess of that of 1882-83 (61,000 *l.*). Of this amount, however, 30,000 *l.* represents a reserve set aside to meet any unforeseen emergency.

274. The main increase of expenditure is, however, not Imperial but Provincial. In 1881-82 Provincial expenditure under this head was 126,000 *l.*, as compared with 20,000 *l.* in 1880-81. Almost the whole of the increase occurs in Bengal, and is due to the expenditure of 92,000 *l.* on the Sonapore-Diamond-Harbour Railway, and of 20,000 *l.* on the Dinagepore extension of the Northern Bengal Railway. Bengal commenced the year 1881-82 with a balance of 499,000 *l.*, and closed with a balance of 754,000 *l.** The balance was, therefore, increased by 255,000 *l.* in the course of the year. It was in this year that the Imperial Government paid back to the Provincial Governments the 670,000 *l.* taken from them during the Afghan War. Of this 670,000 *l.*, 200,000 *l.* was repaid to Bengal. The amount repaid is, however, as will be seen, 55,000 *l.* less than the amount by which the Bengal balance was increased during the course of the year 1881-82.

275. The estimated Provincial expenditure in 1882-83 is 378,000 *l.* The high expenditure occurs almost entirely in Bengal and the North Western Provinces. Bengal is estimated to spend 109,000 *l.* on the Sonapore-Diamond-Harbour Railway, and 51,000 *l.* on the Dinagepore extension of the Northern Bengal Railway. The North Western Provinces Government is estimated to spend 114,000 *l.* on the Furruckabad-Hatras line, and 67,000 *l.* on the Jumna Bridge. These four items together make 341,000 *l.* The Bombay Government will also spend about 10,000 *l.* on the Western Deccan Survey.

276. In 1883-84 the estimated Provincial expenditure is 423,000 *l.* The increase occurs mainly in the North Western Provinces, where it is estimated that 288,000 *l.* will be spent on the Furruckabad-Hatras line, 11,000 *l.* on the Jumna Bridge, and 23,000 *l.* on the Kashgunge-Soron Railway. In Bengal 5,000 *l.* will be spent on the Sonapore-Diamond-Harbour Railway, 46,000 *l.* on the Parbatipore-Dinagepore Railway, 19,000 *l.* on the Sultanpore-Bogra line, and 8,000 *l.* on the Kannaia-Dhurla Railway. This accounts for 400,000 *l.* out of the expenditure of 423,000 *l.*

277. I ought to mention that the total sanctioned outlay on the Sonapore-Diamond-Harbour line is 236,000 *l.* The line has been opened to traffic, and may be said to be completed. The total sanctioned estimate of the Parbatipore-Dinagepore line is 119,000 *l.*; this line will also be completed during the year. The total estimated cost of the Kannaia-Dhurla line is 93,000 *l.* This line is nearly completed. The total sanctioned estimate of the Furruckabad-Hatras line is 450,000 *l.*, of which 406,000 *l.* will have been spent by the end of the year 1883-84. The total sanctioned estimate for the Jumna Bridge is 88,000 *l.*, of which 79,000 *l.* will have been spent by the end of 1883-84.

The

* Throughout the figures in paragraphs 274-278 the Provincial balances only are given. The Local Fund balances are excluded.

A REDUCTION OF THE EXPENDITURE OF INDIA. 165

The total sanctioned estimate of the Kashgunge-Soron line is 23,000 *l.*, the whole of which will be spent by the end of 1883-84. I make these remarks in order to show that, so far as these lines are concerned, the Provincial Governments have not taken any engagements which will be embarrassing when their balances run down.

278. The opening balance of the Bengal Government on 1st April 1882 was 754,000 *l.*; the closing balance on the 31st March 1883 is estimated at 248,000 *l.* It is estimated, therefore, that the balance will be reduced by 506,000 *l.* in the course of the year 1883-84. The opening balance of the North Western Provinces Government on 1st April 1882 was 1,334,000 *l.*; the estimated balance on 31st March 1883 is 981,000 *l.* It is estimated, therefore, that the balance will be reduced by 353,000 *l.* in the course of the year 1883-84.

279. In 1883-84 the Bengal Government is estimated to spend 180,000 *l.*, and the North Western Provinces Government is estimated to spend 735,000 *l.*, out of their balances, leaving a closing balance with Bengal, on 31st March 1884, of 68,000 *l.*, and with the North Western Provinces of 246,000 *l.* This balance is too low for Bengal, but I have little doubt that in point of fact it will be a good deal higher. I may mention that, although, according to the Revised Estimate for 1882-83, the Bengal balance on 31st March 1883 will be 248,000 *l.*, according to the original Budget Estimate the closing balance was 85,000 *l.* I do not doubt that, at the end of 1883-84, Bengal will have a balance very considerably in excess of 68,000 *l.* Nevertheless, in 1884-85 I do not think the Bengal Government should be allowed to draw any more on its balance.

280. STATE RAILWAYS (WORKING AND MAINTENANCE).

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	Revenue.	Net Revenue + or Expenditure —	REMARKS.
	1.	2.	3.	
	£.	£.	£.	
No entries prior to 1882-83	—	—	—	
1882-83 (a) - - -	147	123	—24	(a) Revised Estimate.
1883-84 (b) - - -	185	192	+ 7	(b) Budget Estimate.

281. These figures are divided between Imperial and Provincial expenditure in the following manner:

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.			Revenue.			Net Revenue + or Expenditure —.			REMARKS.
	Imperial.	Pro- vincial.	TOTAL.	Imperial.	Pro- vincial.	TOTAL.	Imperial. (Difference of Columns 1 and 4.)	Provincial. (Difference of Columns 2 and 5).	Total. (Difference of Columns 3 and 6).	
	£.	£.	£.	£.	£.	£.	£.	£.	£.	
1882-83 (a) -	135	12	147	108	15	123	—27	+ 3	—24	(a) Revised Estimate.
1883-84 (b) -	158	27	185	157	35	192	— 1	+ 8	+ 7	(b) Budget Estimate.

282. There are four Imperial lines whose transactions are included under this head, viz.,—

- (1.) The Bhopal line.
- (2.) The Kandahar line.
- (3.) The Northern Section of the Punjab Northern State Railway.
- (4.) The Rewari-Ferozepore line.

283. As regards the Bhopal line, a short section, south of the Nerbudda, 12 miles in length, was opened in June 1882. The net expenditure during 1882-83 is estimated at 400 *l.*; and during 1883-84 at 200 *l.* Of course, these figures cannot be regarded as any true indication of what the line will yield when it is opened throughout its length.

CORRESPONDENCE RELATING TO

284. The net expenditure on the Kandahar line is estimated at 6,000 *l.* in 1882-83. In 1883-84 the line is estimated to just pay its working expenses. This is a military line which was constructed during the Afghan War. It can never be expected to pay well.

285. The same remark applies to the Northern Section of the Punjab Northern State Railway. The receipts from this line, as well as those of the Kandahar Railway, were, prior to 1882-83, shown under *Revenue from Productive Public Works*. The estimated net expenditure in 1882-83 is 20,000 *l.* During 1883-84 it is expected* that the opening of the bridge over the Indus may slightly improve the receipts. The net expenditure is, therefore, taken at 10,000 *l.*

286. The Rewari-Ferozepore line is being constructed as a famine line out of the Protective grant. A portion of the line was opened in April 1883. It is estimated to yield during 1883-84 a sum of 10,000 *l.* in excess of its working expenses. We now know that the results since the line was opened have proved very satisfactory. The gross receipts on the 71 miles open are now about 71 rupees per mile per week. It is not at all improbable that when the whole line is opened it may, although not technically a Productive Work, pay 4 per cent. on its capital outlay.

287. The Provincial lines included under this head are (1) the Sonapore-Diamond-Harbour line; (2) the Kaunia-Dhurla line; (3) the Furruckabad-Hatras line.

288. The net receipts on the Sonapore-Diamond-Harbour line for 1882-83 are estimated at only 1,500 *l.* But the line was only fully opened towards the close of the year. In 1883-84 the net receipts are estimated at 3,300 *l.* From the most recent returns it appears that the traffic is doing fairly well, and there is a probability of this estimate being exceeded.

289. The transactions of the small Kaunia-Dhurla line, of which 34½ miles are now open, were formerly shown under *Other Public Works*. The net receipts in 1882-83 are estimated at 1,000 *l.*; in 1883-84 they have been estimated at 2,000 *l.*

290. It is expected that about 85 miles of the Furruckabad-Hatras line will be open for traffic by the 1st November 1883. The net receipts in 1883-84 have been estimated at 2,000 *l.*, but this is necessarily a very rough estimate.

291. On the whole, it may be said that the figures under this head would show much more satisfactorily, were it not for the Kandahar and Punjab Northern (Northern Section) lines, which were made for war purposes, and for the construction of which the present Government is in no way responsible. Further, some of the lines are not as yet fully open for traffic. In spite of this disadvantage, however, the net receipts, Imperial and Provincial, are estimated at 7,000 *l.* this year, and I think there can be little doubt that the results in future years will be better.

292. SUBSIDISED RAILWAYS †

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	Receipts.	Net Expenditure.	REMARKS.
	1.	2.	3.	
No entries prior to 1881-82.	£.	£.	£.	
1881-82 - - - -	17	2	15	
1882-83 (a) - - - -	104	4	100	(a) Revised Estimate.
1883-84 (b) - - - -	186	11	175	(b) Budget Estimate.

293. The whole of the expenditure in 1881-82 is on Imperial account. It represents a payment of 13,000 *l.* on account of land, and 2,000 *l.* (net) on account of guaranteed interest to the Bengal Central Railway Company.

294. The expenditure on account of land is, of course, only temporary, that is to say, it will last for two or three years whilst the line is under construction. The amount paid on account of guaranteed interest is really only an advance. It will be repaid to the Government out of the half profits over 5 per cent.

295. In 1882-83 the whole of the transactions, with the exception of 500 *l.* on the expenditure side of the account, are Imperial. There is a receipt of 4,000 *l.* in England, which represents interest realised from the investment of sums deposited by the Bengal Central Company. The main items on the expenditure side of the account are—(1) 50,000 *l.* on account of land for the Bengal Central Railway Company; (2) 13,000 *l.* on account of guaranteed interest to the same Company; this, as I have already mentioned; (para.

* The Bridge has been opened

† The transactions connected with the Southern Mahratta Railway are included under this head.

(para. 294), is really only an advance; (3) 6,500 *l.* on account of land for the Bengal and North Western Railway Company; the Government does not guarantee any rate of interest to this Company, but gives it the land free of cost, and, on the other hand, receives the half profits over 6 per cent.; (4) 33,000 *l.* for guaranteed interest on the Southern Mahratta Railway capital; this money will probably also come back to Government in time.

296. The estimated receipts in 1883-84, amounting to 11,000 *l.*, are on Imperial account. Nearly the whole of the Bengal Central Railway is expected to be opened during the year. The net receipts are estimated at 10,000 *l.* The balance (1,000 *l.*) is for money deposited by the Company, which will be invested in England.

297. Of the total estimated expenditure in 1883-84 (186,000 *l.*), 170,000 *l.* is Imperial and 16,000 *l.* is Provincial.

298. The items of Imperial expenditure are—(1) 25,000 *l.* on account of land for the Bengal Central Railway; (2) 25,000 *l.* on account of guaranteed interest for the same line; (3) 30,000 *l.* on account of land for the Bengal and North-Western Railway; (4) 85,000 *l.* on account of guaranteed interest to the Southern Mahratta Railway Company; (5) 4,000 *l.* paid in England on account of interest to the Rohilkhand and Kumaon Railway; the sum will be finally adjusted in India as a Provincial charge of the North-Western Provinces.

299. The 16,000 on Provincial account is for the purchase of land and for guaranteed interest in connection with the Rohilkhand-Kumaon (North-Western Provinces), the Nilgiri (Madras), and the Takessar (Bengal) lines.

300. FRONTIER RAILWAYS.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	REMARKS.
No expenditure prior to 1879-80.	£.	
1879-80 - - - - -	1,334	
1880-81 - - - - -	2,294	
1881-82 - - - - -	225	
1882-83 (a) - - - - -	282	(a) Revised Estimate.
1883-84 (b) - - - - -	67	(b) Budget Estimate.

301. The expenditure on *Frontier Railways* was deducted by Mr. Stanhope in making his comparison as being part of the Afghan War expenditure. I need not, therefore, make any remarks on the subject. But I may mention that after the current year (1883-84) the expenditure under this head will either cease altogether or will be reduced to a very small amount.

302. IRRIGATION AND NAVIGATION.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	Receipts.	Net Expenditure.	REMARKS.
	£.	£.	£.	
1871-72 - - - - -	448	99	349	
1872-73 - - - - -	651	124	527	
1873-74 - - - - -	595	166	429	
1874-75 - - - - -	664	146	518	
1875-76 - - - - -	776	163	613	
1876-77 - - - - -	615	177	438	
1877-78 - - - - -	758	166	592	
1878-79 - - - - -	631	169	462	
1879-80 - - - - -	669	193	476	
1880-81 - - - - -	709	198	511	
TOTAL - - - - £.	6,516	1,601	4,915	
Average - - - - -	652	160	492	
1881-82 - - - - -	790	131	659	
1882-83 (a) - - - - -	920	132	788	(a) Revised Estimate.
1883-84 (b) - - - - -	804	141	663	(b) Budget Estimate.

CORRESPONDENCE RELATING TO

303. The only feature calling for notice regarding the receipts is the apparent falling off in 1881-82 of 67,000 *l.* This is caused by the transfer of the Eastern Jumna Canal from Ordinary to Productive. The decrease due to the transfer of the two canals in Bombay referred to under "expenditure," has been met by increased receipts from other canals.

304. Turning to expenditure, it will be seen that the marked increase commences in 1881-82; that there is again a large increase in 1882-83 over 1881-82; and that in the Budget Estimate for the current year it drops again almost to the figures of 1881-82.

305. There were large decreases in—

The North-Western Provinces (23,000 *l.*), principally due to the transfer of the Eastern Jumna Canal from Ordinary to Productive Public Works.

The Punjab (24,000 *l.*), principally due to a transfer of the Swat River Canal (still under construction) from Ordinary to Protective.

Bombay (35,000 *l.*), principally due to the transfer of Eastern Nara and Sind Desert Canal to Productive.

But the total decrease in these provinces (82,000 *l.*) was more than counterbalanced by the large increase of 155,000 *l.* in Bengal, and thus, in fact, the total net increase is explained.

306. The principal works on which this excess expenditure in Bengal was incurred are—

Government Embankments (Imperial) - - -	£. 37,000
Orissa Coast Canal, a work which, though sanctioned by the Secretary of State as a Productive Public Work, is by special arrangement being carried out from Provincial Funds, and is treated as an ordinary Provincial work.	75,000
Minor works for which Capital and Revenue Accounts are not kept (Provincial).	43,000
TOTAL - - - £	155,000

307. The expenditure of 1882-83 shows an increase of 130,000 *l.* over 1881-82. More than half this is due to an increased grant (Imperial) having been given to Madras for the up-keep and repair of minor irrigation works, resulting in a net increased expenditure of 70,000 *l.*

Burma showed an increased expenditure on works for which neither Capital nor Revenue Accounts are kept (Provincial)	£. 36,000
Bombay for silt clearances and repair of flood damages (Imperial) - - - - -	15,000
Punjab for increased working expenses of inundation canals (Imperial) - - - - -	13,000

308. There were small increases in other provinces, counterbalanced by a reduction in Bengal (Provincial) of 15,000 *l.* under minor works. The expenditure on the Orissa Coast Canal was a little above that of the preceding year.

309. The estimated expenditure of 1883-84 is 116,000 *l.* less than that of 1882-83. There is a decrease in Bengal amounting to 87,000 *l.*, of which about two-thirds is due to a reduction in outlay on works connected with the Circular and Eastern Canal, and the balance to a reduced allotment to the Orissa Coast Canal (Provincial), for which a grant-in-aid has been given during the current year from the Famine Protective grant.

310. The Imperial grant for embankments is less in 1883-84 by 7,000 *l.*

311. The Imperial grant for minor Irrigation works in Madras is reduced by 18,000 *l.*, and in Bombay the special grant given in the previous year of 15,000 *l.* to repair flood damages has not been repeated.

A REDUCTION OF THE EXPENDITURE OF INDIA.

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312. MILITARY WORKS.

000s omitted.

£ 1 = Rs. 10.

Y E A R.	Gross Expenditure. 1.	Receipts. 2.	Expenditure. 3.
	£.	£.	£.
1871-72	978		978
1872-73	1,167	17	1,160
1873-74	1,123	17	1,106
1874-75	1,166	17	1,169
1875-76	1,338	17	1,321
1876-77	1,202	39	1,163
1877-78	1,154	39	1,115
1878-79	1,191	40	1,151
1879-80	966	38	928
1880-81	969	57	932
TOTAL	11,274	261	11,013
Average	1,127	26	1,101
1881-82	1,070	51	1,019
1882-83 (Revised Estimate)	1,000	42	958
1883-84 (Budget Estimate)	1,000	39	961

* The figure for 1871-72 cannot be stated separately from *Civil Buildings and Services*. In the next four years the figures for "India General" alone can be thus separately stated.

313. Since the year 1880-81, inclusive, an annual grant of 1,000,000 *l.* has been given to the Military Department for expenditure on *Military Works*, the unexpended portion of the grant in any one year being generally carried over for expenditure in the next year. The expenditure of 1881-82 (1,019,000 *l.*) was in excess of that of 1880-81 and of 1879-80, because in those two years the full amount of the grant was not spent, and, therefore, a considerable balance was carried over for expenditure in 1881-82. In 1882-83 the estimated expenditure (958,000 *l.*) is low, because, owing to the Egyptian War, the unexpended balance of 1881-82 (about 60,000 *l.*) was not re-granted in 1882-83. In all the three years, 1881-82, 1882-83 (Revised Estimate), and 1883-84 (Budget Estimate), the expenditure is below the average of the 10 years ending with 1880-81 (1,101,000 *l.*).

314. CIVIL BUILDINGS, ROADS AND SERVICES.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Gross Expenditure. 1.	Receipts. 2.	Net Expenditure. 3.	REMARKS.
	£.	£.	£.	
1871-72	3,403	537	2,866	(a) See remarks in para. 1.
1872-73	3,342	524	2,818	
1873-74	(a) 3,851	527	3,264	
1874-75	(a) 3,491	510	2,981	
1875-76	(a) 3,340	505	2,835	
1876-77	3,361	531	2,830	
1877-78	3,080	715	2,365	
1878-79	3,128	532	2,596	
1879-80	2,926	465	2,461	
1880-81	3,344	510	2,834	
TOTAL	33,266	5,416	27,850	
Average	3,327	542	2,785	
1881-82	4,043	544	3,499	(b) Revised Estimate. (c) Budget Estimate.
1882-83 (b)	4,422	471	3,951	
1883-84 (c)	4,303	481	3,822	

315. It will be seen that the gross expenditure under this head (column 1) varied considerably during the decade ending with 1880-81. In 1875-76 it was 3,340,000 *l.* During the three years, 1877-78, 1878-79, and 1879-80, the expenditure was abnormally low, all expenditure having been reduced by reason of the war. The expenditure of 1880-81 was 3,344,000 *l.*, being 17,000 *l.* above the average of the 10 years ending with 1880-81 (3,327,000 *l.*). The pressure of the war was still to a certain extent felt in 1880-81.

316. I will, however, take the expenditure of 1880-81 for purposes of comparison with that of subsequent years. The following table shows the expenditure in India* from 1880-81 onwards, divided under the heads of Imperial, Provincial, or Local:—

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Imperial.	Provincial.	Local.	TOTAL.
	£.	£.	£.	£.
1880-81 - - - - -	350.	1,695	1,211	3,256
1881-82 - - - - -	468	2,089	1,391	3,948
1882-83 (Revised Estimate) - -	517	2,258	1,560	4,335
1883-84 (Budget Estimate) - -	414	2,058	1,730	4,202

317. Turning first to the Imperial expenditure, it will be seen that in 1880-81 it amounted to 350,000 *l.*, in 1881-82 it rose to 468,000 *l.*, and in 1882-83 (Revised Estimate) to 517,000 *l.* The Budget Estimate of 1883-84 is, however, only 414,000 *l.*, being 103,000 *l.* below the Revised Estimate for 1882-83, and 54,000 *l.* below the expenditure of 1881-82, but 64,000 *l.* above the expenditure of 1880-81. Almost the whole of this increase is due to the construction of Government offices at Calcutta and Simla, and to the construction of quarters for clerks at Simla.

318. One of the main buildings constructed at Calcutta was for the Financial Department. I should like to make one or two observations about this building. Before sanction was given to the construction of a new building, I went thoroughly over the old one myself. The house had never been intended for a Government office, and indeed possessed every defect for such an office which can well be conceived. The clerks were crowded together, and the archives were put away in odd holes and corners in the most inconvenient way possible. To any one who went over the building it was a matter for surprise that the work of so large a Department could ever have been carried on properly for so many years, especially in a climate like Calcutta, where good ventilation and airy rooms are almost a necessity. Moreover, it did not require the eye of an engineer to see that the building was absolutely dangerous. The construction of a new building was, in fact, quite unavoidable.

319. As to the offices at Simla, the necessity for their construction has been long recognised, and, when they have once been constructed, a considerable sum of money will be saved in the rents heretofore paid for hired houses.

320. The construction of clerks' quarters is really only an investment of capital, as rent will be paid by the clerks who occupy them.

321. It is a very good thing that the offices, both at Calcutta and Simla, should be put on a better footing than heretofore. When the buildings have once been constructed, the expenditure, of course, will not recur. This accounts for the estimated falling-off in 1883-84 as compared with 1882-83. I have little doubt that the Imperial expenditure in 1884-85 will be considerably less than that of 1883-84. Indeed, I see no reason why it should be in excess of that of 1880-81.

322. Turning to Provincial and Local expenditure, it is to be observed that the increase in 1881-82 and onwards is entirely due to the fact that the Provincial Governments and the Local Funds have been spending their balances which accumulated during the Afghan War. I will only dwell very briefly upon the principal details of 1881-82, for which year the accounts are closed. In 1880-81 the expenditure on new works, such as Civil Buildings, Communications, and Miscellaneous public improvements, and repairs to these works, was 1,275,664 *l.*; in 1881-82 it was 1,610,855 *l.* This increased expenditure, of course, involved a temporary increase of establishments. In 1880-81 the expenditure on establishments was 373,483 *l.* In 1881-82 it was 436,872 *l.* Turning to Incorporated Local Funds, the expenditure in 1880-81 on works and repairs was 372,763 *l.*; in 1881-82 it was 449,641 *l.* The expenditure on establishments was 62,636 *l.* in 1880-81, and 72,207 *l.* in 1881-82. The expenditure on Local works incurred by the Civil Department was 772,542 *l.* in 1880-81, and 866,039 *l.* in 1881-82.

323. I need not go into the detail of the years 1882-83 and 1883-84. I will only say that the expenditure under this head will certainly be largely reduced in 1884-85.

324. K.—ARMY

* The expenditure in England is excluded.

A REDUCTION OF THE EXPENDITURE OF INDIA.

171

000s omitted.

324. K.—ARMY.

£. 1 = Rs. 10.

Y E A R.	Expenditure (Ordinary). 1.	Receipts (Ordinary). 2.	Net Expenditure (Ordinary). 3.	War Expenditure (Net). 4.
	£.	£.	£.	£.
1871-72	15,678	944	14,734	—
1872-73	15,504	907	14,597	—
1873-74	15,228	1,011	14,217	—
1874-75	15,375	989	14,386	—
1875-76	15,308	1,046	14,262	—
1876-77	15,792	925	14,867	—
1877-78	16,640	870	15,770	—
1878-79	17,093	975	16,118	—
1879-80	16,896	1,029	15,867	4,762 (a)
1880-81	16,718	924	15,794	8,074 (a)
TOTAL	£. 160,232	9,620	150,612	12,836
Average	16,023	962	15,061	—
1881-82	17,216	1,162	16,054	—1,015 (a)
1882-83 (Revised Estimate)	16,172	986	15,186	797 (b)
1883-84 (Budget Estimate)	16,064	866	15,198	—

(a) Afghan War. The net receipts in 1881-82, amounting to about 1,015 L., are due to the fact that the war expenditure in 1881-82 (1,644,927 L.) was less than the amount of the English contribution credited in the accounts of the year (2,659,768 L.) by 1,014,841 L.—(b) Egyptian War.

325. Any comparison of the ordinary *Army* expenditure of 1881-82, 1882-83, and 1883-84, with the average of the preceding 10 years is fallacious, because a large amount (660,000 L.*) of war expenditure is included in the ordinary military expenditure of 1881-82, and it is probable that in the final years of the decade ending with 1880-81 a certain amount of war expenditure was also included. Mr. Stanhope admitted that there had been no increase of military expenditure. I need not, therefore, dwell on this subject any further.

000s omitted.

326. L.—EXCHANGE.

£. 1 = Rs. 10.

Y E A R.	Expenditure.	REMARKS.
	£.	
1871-72	433	
1872-73	695	
1873-74	883	
1874-75	786	
1875-76	1,356	
1876-77	2,059	
1877-78	1,555	
1878-79	3,226	
1879-80	2,927	
1880-81	2,717	
TOTAL	£. 16,637	
Average	1,664	
1881-82	3,557	
1882-83 (a)	3,116	(a) Revised Estimate.
1883-84 (b)	3,548	(b) Budget Estimate.

327. The actual and estimated expenditure during the years 1881-82 (3,557,000 L.), 1882-83 (3,116,000 L.), and 1883-84 (3,548,000 L.), under this head is largely in excess of the average of the 10 years ending 1880-81 (1,664,000 L.). This, of course, is due to the heavy fall in the value of silver, which took place first in 1874-75, and again in 1877-78. The expenditure under *Exchange* is governed by causes which are wholly beyond the control of the Government of India. Mr. Stanhope deducted this item in making his comparison. I need not, therefore, dwell on the subject at any length, but the following figures may prove of interest:—

* This is the gross figure.

000s omitted.

£. 1 = Rs. 10.

Y E A R.	Drawings (True Sterling).	Exchange.	Average Price of Bar Silver in London during the Calendar Year.	Hong Kong Bills (True Sterling).	REMARKS
	£.	d.	d.		
1871-72 - -	10,310	23·12	1871 - 60·5		
1872-73 - -	13,939	22·81	1872 - 60·31		
1873-74 - -	13,286	22·35	1873 - 59·25		
1874-75 - -	10,842	22·22	1874 - 58·31		
1875-76 - -	12,390	21·64	1875 - 56·87		
1876-77 - -	12,696	20·49	1876 - 52·75		
1877-78 - -	10,134	20·79	1877 - 54·81		
1878-79 - -	13,949	19·76	1878 - 52·56		
1879-80 - -	15,262	20·00	1879 - 51·25		
1880-81 - -	15,240	19·95			
TOTAL - -	128,048	213·13	Drawings com- pared with average.		Drawings, including Hong Kong bills, compared with average.
Average - -	12,805	21·31			
1881-82 - -	18,412	19·89	+5,607	£. 77	£. +5,684
1882-83* - -	14,042	19·50	+1,237	210	+1,447
1882-83 † - -	16,300	19·50	+3,495	200	+3,695

* Revised Estimate.

† Budget Estimate.

Simla, 11th August 1883.

Evelyn Baring.

APPENDIX III.

NET ACCOUNTS, 1871-72 to 1883-84.

THERE are three cases in which we have to modify the figures of the 13-year Statement attached to the last Financial Statement, in order to produce an account of Net Revenue and Expenditure.

The first two are those of the charges for Refunds, and for Assignments and Compensations; these are shown in gross in the 13-year Statement, but in a Net Statement they have to be split up so as to be taken by charge against, or deduction from, the revenues to which they appertain. The amounts shown against "Transit Duties" and "Goa Convention" do not appertain to any particular head of Revenue, and we may therefore, for present purposes, take them by deduction from "Tributes."

The third is the case of "Court Fees," which are, properly speaking, receipts on account of Law and Justice, but which, being collected in Stamps, are classed as "Stamps" Revenue, being, in fact, about two-thirds of the whole amount. I therefore separate the "Court Fees" from the "General Stamp Duties" (a distinction always maintained in our detailed accounts), and class the former as Receipts of "Law and Justice," the latter as "Stamps" Revenue proper. The charges have to be similarly divided, but the detailed accounts do not give very accurate means of dividing the common part of the charges. A reasonably accurate division is as follows:—

	Court Fees Charges.	General Stamp Charges.
Refunds of Stamps - - - -	The whole -	None.
Discount on Court Fees - - -	The whole -	None.
Remainder of Charges under "Stamps"	Half - -	Half.

The details of the division of charges under "Refunds" and under "Assignments," and of the revenue and expenditure under "Stamps," are shown in the following statement. With these figures, and those of the 13-year Statement, I produce, as per details set out in separate sheets, a statement of the net revenue and expenditure of the 13 years.

Calcutta,
20th June 1883. }

J. Westland,
Comptroller General.

In Thousands of £.

SUBSIDIARY STATEMENT.

	1871-72.	1872-73.	1873-74.	1874-75.	1875-76.	1876-77.	1877-78.	1878-79.	1879-80.	1880-81.	1881-82.	Revised Estimate, 1882-83.	Budget Estimate, 1883-84.
REFUNDS	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
Land Revenue - - - -	42	79	55	56	98	58	46	52	54	47	48	169	48
Opium - - - - -	-	-	-	-	1	-	-	2	2	-	2	-	-
Salt - - - - -	34	46	26	30	38	31	42	34	30	141	45	50	25
Excise - - - - -	1	2	2	4	3	6	2	6	13	15	19	40	20
Provincial Rates - - - -	-	6	32	22	56	56	33	30	8	9	14	7	6
Customs - - - - -	51	72	71	73	66	62	67	65	53	62	73	55	37
Assessed Taxes - - - - -	25	6	3	2	-	-	4	26	59	31	29	22	19
Forest - - - - -	7	12	5	2	3	2	3	1	2	5	2	2	3
Registration - - - - -	-	-	-	1	1	-	-	-	1	2	2	2	2
Stamps - - - - -	31	35	36	36	37	36	34	35	33	34	38	37	36
Law and Justice - - - - -	31	32	40	35	38	43	40	39	40	46	(a)	(a)	(a)
Miscellaneous - - - - -	66	55	79	108	74	63	78	117	74	77	(a)	(a)	(a)
TOTAL - - - £.	288	345	349	369	415	357	349	407	369	469	272	384	196
ASSIGNMENTS AND COMPENSATIONS													
Land Revenue - - - - -	769	813	782	809	801	797	767	782	753	741	764	759	752
Salt - - - - -	44	45	45	45	45	45	34	204	324	345	311	353	350
Excise (Bombay) (b) - - - -	-	-	-	-	-	-	-	-	-	30	30	30	30
Transit Duties, &c. - - - - -	30	28	41	35	49	28	25	37	39	50	44	41	49
Goa Convention - - - - -	-	-	-	-	-	-	-	-	-	49	46	59	65
TOTAL - - - £.	843	886	868	889	895	870	826	1,023	1,116	1,215	1,195	1,242	1,246
STAMP REVENUE.													
Court Fees - - - - -	1,640	1,729	1,831	1,898	1,975	1,985	2,064	2,151	2,145	2,186	2,301	2,332	2,342
Other Duties - - - - -	836	881	869	860	880	854	929	960	1,049	1,065	1,080	1,080	1,085
TOTAL - - - £.	2,476	2,610	2,700	2,758	2,855	2,839	2,993	3,111	3,194	3,251	3,381	3,412	3,427
STAMPS.													
EXPENDITURE.													
Court Fees Discount - - - -	40	31	15	16	20	20	21	17	18	19	23	23	23
Other Charges - - - - -	64	61	74	109	86	76	82	98	96	89	88	98	80
TOTAL - - - £.	104	92	89	125	106	96	103	115	114	108	111	121	103

(a) Included, in 1881-82, 1882-83, and 1883-84, in the charges under Law and Justice, and Miscellaneous.

(b) Precise amount not immediately ascertainable.

A. REDUCTION OF THE EXPENDITURE OF INDIA.

In Thousands of £.

NET ACCOUNTS, 1871-72 to 1883-84.

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	1871-72.	1872-73.	1873-74.	1874-75.	1875-76.	1876-77.	1877-78.	1878-79.	1879-80.	1880-81.	1881-82.	Revised Estimate, 1882-83.	Budget Estimate, 1883-84.
A.—INTEREST:													
On Ordinary Debt	£. -5,266	£. -5,008	£. -4,841	£. -4,468	£. -4,444	£. -4,519	£. -4,672	£. -4,575	£. -4,591	£. -3,669	£. -4,024	£. -3,988	£. -3,824
On Deposits	-483	-556	-541	-380	-387	-395	-359	-379	-382	-414	-534	-462	-440
TOTAL	£. -5,749	£. -5,564	£. -5,382	£. -4,848	£. -4,831	£. -4,908	£. -5,031	£. -4,954	£. -4,973	£. -4,083	£. -4,558	£. -4,450	£. -4,264
B a.—REVENUE AND EXPENDITURE CONNECTED WITH DISTRICT ADMINISTRATION:													
Land Revenue	+19,721	+20,483	+20,223	+20,467	+20,642	+19,036	+19,235	+21,490	+21,054	+20,325	+21,136	+20,772	+20,993
Stamps, excluding Court Fees	+804	+850	+832	+805	+817	+816	+888	+911	+1,001	+1,021	+1,036	+1,031	+1,045
Excise	+2,229	+2,189	+2,188	+2,251	+2,404	+2,427	+2,357	+2,525	+2,714	+2,995	+3,281	+3,450	+3,479
Provincial Rates	+1,625	+1,839	+1,766	+1,810	+1,898	+1,822	+2,157	+2,545	+2,826	+2,721	+2,829	+2,610	+2,631
Assessed Taxes	+797	+583	+29	+18	+15	+14	+97	+837	+698	+507	+495	+490	+490
General charges of District Administration	-2,808	-2,825	-2,867	-2,865	-2,951	-2,899	-2,943	-2,960	-2,937	-2,984	-3,004	-3,056	-3,212
TOTAL	£. +22,968	£. +23,119	£. +22,171	£. +22,486	£. +22,765	£. +21,216	£. +21,791	£. +25,348	£. +25,354	£. +24,585	£. +25,773	£. +25,297	£. +25,426
B b.—REVENUE AND EXPENDITURE ADMINISTERED BY SEPARATE DEPARTMENTS:													
Opium	+7,857	+6,871	+6,324	+6,215	+6,253	+6,280	+6,522	+7,698	+8,249	+8,451	+7,803	+7,217	+7,035
Salt	+5,412	+5,598	+5,602	+5,690	+5,654	+5,741	+5,839	+6,298	+6,572	+6,266	+6,534	+5,227	+5,246
Customs	+2,341	+2,403	+2,378	+2,422	+2,470	+2,220	+2,350	+2,062	+2,027	+2,279	+2,093	+1,054	+1,074
Forest	+151	+176	+291	+153	+275	+157	+236	+149	+238	+238	+314	+393	+256
Registration	+47	+60	+60	+54	+51	+57	+84	+105	+103	+106	+104	+98	+93
Tributes	+714	+713	+728	+690	+677	+667	+650	+667	+664	+643	+617	+610	+587
TOTAL	£. +16,322	£. +15,821	£. +15,323	£. +15,324	£. +15,379	£. +15,122	£. +15,681	£. +18,979	£. +17,824	£. +17,983	£. +17,465	£. +14,639	£. +14,291
C.—POST OFFICE, TELEGRAPH AND MINT:													
Post Office	+84	-186	-105	-144	-137	-122	-113	-121	-141	-156	-198	-207	-213
Telegraph	-222	-233	-161	-146	-182	-132	-103	-44	+54	+41	-87	-136	-185
Mint	+12	-32	-11	+26	+2	+128	+312	+68	+136	-4	-17	+64	+27
TOTAL	£. -126	£. -451	£. -367	£. -264	£. -317	£. -126	£. +96	£. -97	£. +49	£. -119	£. -292	£. -279	£. -370
D.—CIVIL DEPARTMENTS:													
General Administration	-1,471	-1,474	-1,518	-1,551	-1,639	-1,493	-1,493	-1,488	-1,492	-1,532	-1,494	-1,578	-1,555
Law and Justice, including Court Fees	-755	-622	-631	-675	-633	-674	-622	-639	-616	-474	-360	-388	-459
Police	-2,188	-2,185	-2,198	-2,235	-2,234	-2,296	-2,228	-2,208	-2,267	-2,282	-2,306	-2,404	-2,432
Marine	-378	-353	-299	-298	-400	-466	-310	-298	-272	-305	-385	-334	-308
Education	-693	-738	-761	-844	-873	-854	-850	-831	-827	-828	-890	-934	-965
Ecclesiastical	-158	-157	-166	-164	-162	-164	-158	-155	-156	-159	-162	-163	-168
Medical	-509	-563	-532	-611	-635	-633	-652	-625	-613	-624	-643	-650	-674
Political	-316	-392	-367	-405	-430	-505	-469	-449	-431	-531	-649	-511	-442
Scientific and other Minor Departments	-296	-375	-342	-344	-349	-299	-265	-270	-259	-323	-440	-382	-426
TOTAL	£. -6,764	£. -6,853	£. -6,862	£. -7,129	£. -7,355	£. -7,383	£. -7,047	£. -6,963	£. -6,933	£. -7,058	£. -7,329	£. -7,344	£. -7,509

CORRESPONDENCE RELATING TO

A REDUCTION OF THE EXPENDITURE OF INDIA.

352.	E.—MISCELLANEOUS:													
	Interest	+971	+519	+467	+559	+578	+543	+534	+628	+748	+876	+897	+688	+651
	Territorial, &c., Pensions	-881	-863	-989	-850	-819	-802	-821	-803	-699	-684	-682	-688	-749
	Furlough Allowances	-173	-156	-258	-217	-229	-236	-237	-232	-215	-224	-223	-217	-227
	Superannuation	-708	-987	-821	-1,077	-1,188	-1,189	-1,283	-1,329	-1,672	-1,834	-1,826	-1,874	-1,878
	Stationery and Printing	-196	-210	-203	-211	-203	-404	-407	-425	-302	-423	-508	-436	-405
	Miscellaneous	+180	-97	+47	+108	+195	+77	+62	-62	-79	+375	+4	-13	-97
	TOTAL	-1,467	-1,794	-1,757	-1,688	-2,056	-2,011	-2,152	-2,223	-2,279	-1,914	-2,338	-2,540	-2,699
F.—FAMINE RELIEF														
			-3,865	-2,243	-602	-2,145	-5,346	-313	-104	-34	-1,500	-1,540	-1,500	
G.—PRODUCTIVE PUBLIC WORKS														
REVENUE ACCOUNT:														
State Railways	-65	-96	-184	-240	-311	-436	-510	-677	-715	-543	-289	-177	-150	
Guaranteed Railways	-1,553	-2,062	-1,677	-1,254	-872	-654	+186	-816	-918	-517	-64	-316	-345	
East Indian Railway	+82	+78	+440	+295	+204	+760	+953	+416	+1,027	+1,010	+1,388	+891	+1,009	
Irrigation and Navigation	-70	-146	-181	-237	-316	-359	-329	-171	+342	+190	+116	+74	+28	
Miscellaneous Public Improvements								-6	-13	-17	-18	-20	-22	
TOTAL	-1,606	-2,226	-1,602	-1,436	-1,295	-689	+300	-1,254	-277	+123	+1,133	+452	+520	
H.—PUBLIC WORKS NOT CLASSED AS PRODUCTIVE:														
State Railway Capital	-3	-11	-33	-105	-66	-27	-71	-221	-472	-77	-248	-439	-510	
State Railway, Working and Maintenance												-24	+7	
Subsidized Railways											-15	-100	+175	
Frontier Railways									-1,394	-2,294	-225	-282	-67	
Irrigation and Navigation	-349	-527	-429	-513	-613	-438	-592	-462	-476	-511	-659	-788	-663	
Military Works	-978	-1,150	-1,106	-1,109	-1,321	-1,163	-1,115	-1,151	-928	-932	-1,019	-958	-961	
Civil Buildings, Roads, and Services	-2,806	-2,818	-3,264	-2,981	-2,835	-2,830	-2,365	-2,596	-2,461	-2,854	-3,499	-3,951	-3,822	
TOTAL	-4,196	-4,506	-4,832	-4,773	-4,835	-4,458	-4,143	-4,430	-5,671	-6,648	-5,665	-6,542	-6,191	
K.—ARMY:														
Ordinary	-14,734	-14,597	-14,217	-14,386	-14,262	-14,867	-15,770	-16,118	-15,867	-15,794	-16,054	-15,186	-15,198	
Military Operations									-(a) 4,766	-(a) 8,070	+(a) 1,015	-(b) 797		
TOTAL	-14,734	-14,597	-14,217	-14,386	-14,262	-14,867	-15,770	-16,118	-20,633	-23,864	-15,039	-15,983	-15,198	
L.—EXCHANGE ON TRANSACTIONS WITH LONDON														
	-433	-695	-893	-786	-1,356	-2,059	-1,555	-3,326	-2,927	-2,717	-3,557	-3,116	-3,548	
TOTAL+	+38,690	+38,940	+37,494	+37,710	+38,144	+36,338	+37,868	+42,927	+43,227	+42,691	+44,371	+40,288	+40,287	
TOTAL-	-35,075	-36,686	-39,767	-37,553	-36,909	-38,646	-41,044	-39,578	-43,797	-46,437	-40,268	-41,754	-41,279	
Net	+3,615	+2,254	-2,273	+1,157	+1,235	-2,308	-3,176	+2,749	-570	-3,746	+4,103	-1,466	-1,042	

(a) Afghan War.

(b) Egyptian War.

— No. 7. —

The Secretary of State for India to the Governor General in Council,
4th October 1883, No. 290 (Financial).

My Lord Marquis,

Para. 1. I HAVE considered in Council your Excellency's letter, dated the 3rd August, No. 214, forwarding a copy of a Resolution passed on the results of the record kept by you during the year 1882-83 of all sanction given to fresh expenditure.

2. The statement is very interesting, and it would, in my opinion, be desirable to continue the practice of so recording the increase of charge beyond that provided for in the Budget, in order that your Government may, in the Financial Department, be kept accurately informed of the amount of money for the provision of which it has become responsible during the year, beyond that foreseen at its commencement.

3. Excluding such expenditure as the Provincial Governments are empowered to sanction without reference to your Government, which must in all cases be met by savings in other quarters, unless they are pensions or other charges granted under fixed rules, and at the same time omitting to take account of lapses of expenditure during the year, I find the result to be as follows:—

Estimates were accepted for an expenditure of 1,80,00,000 rupees on account of the Expedition to Egypt; but the net charge was afterwards reduced to 1,17,92,000 rupees.

Besides this, the following amounts were sanctioned, in addition to the outlay authorised in the Budget:—

	<i>Rs.</i>	<i>Rs.</i>
Permanent:		
Imperial - - - - -	2,48,550	
Provincial - - - - -	2,28,983	
		4,77,533
Temporary:		
Imperial - - - - -	56,01,439	
Provincial - - - - -	29,09,514	
		85,10,953
TOTAL - - - <i>Rs.</i>		89,88,486

4. The great bulk of this expenditure was met as a charge of the year 1882-83, and did not involve any burden in future years; but your Excellency rightly points out that the total permanent charge is not fully represented by the statement of the cost borne, in many cases for only a part of the year, during 1882-83; and in some instances the sanction, though treated as one for temporary expenditure, conveys authority for outlay in future years. From a rough calculation made on the information given in your Resolution, I gather that the expenditure sanctioned as permanent was about 7,40,000 rupees, and that the temporary charges falling into the year 1883-84 would amount to about 4,50,000 rupees, making a total of nearly 12 lacs of rupees.

5. Of these, the most important measures have been the revision of salaries in the Opium Department, the reorganisation of the Forest Department in Bengal and Madras, the revival of the appointment of a Member of Council for the Public Works Department, the division of Hanthawaddy into two districts, the extra expenditure incurred on the police of the Northern Circars Hill Tracts and the district of Jeypore, in British Burma, in the Punjab, and in Upper Sind, the pensions and other expenses arising from the Afghan War, the appointment of additional Judges for the Chief Court in the Punjab, and of an additional Commissioner in the Central Provinces, the subscription to the hospital at Simla
the

the compensation of officers in the Survey Department, and the grant of various pensions, whether territorial and political, or on account of superannuation.

6. Of temporary measures, involving no future expenditure, or but little compared with the outlay in 1882-83, the most expensive are the compensations awarded for the loss of revenue in certain Native States by the abolition of the transit duties on salt, in connection with the Portuguese tariff arrangements, and in Kandesh, the survey and settlement of Cachar and Tanjore, the purchase of Malwa opium for the Excise Department, the grants for expenditure on forests in British Burma, and on the supply of sleepers for the Patna-Bahraich Railway (both of which are expected to be covered by the receipts arising therefrom). the continuance of the appointment of a Special Judge under the Deccan Agriculturists' Relief Act, the outlay on jails in the Central Provinces, the Census operations, the purchase of the ex-Nawab Nizam's jewels, the appointment of the Railway Police Commission, the cost of providing land for the Bengal Central and Bengal and North Western Railways, the extension of the Cawnpore-Farrakhabad Line, the construction of offices and other buildings at Simla by which rents now paid will be avoided, the purchase of the Bengal Iron Works, the improvement of the salt works, the restoration of embankments in Sindh, the supply of water for Agra, the Madras Harbour Works, the expenditure on the Muzafferpur-Hajipur Railway and the Gunduck Bridge, the contribution to provincial revenues in Madras, the transfer of the "Undaunted" to Bengal, and the allotments for feeder-roads in that province.

7. I agree with your Excellency in considering that, large as is the extra charge which thus fell on the year 1882-83, the record of the manner in which it was spent is not unsatisfactory, so large a portion being due to outlay calculated directly to promote the growth of the revenue; and it is gratifying to know that there is probably a considerable surplus after defraying all these expenses. The fact, however, that unforeseen expenditure arose to the extent of about 270 lacs of rupees, or of nearly 90 lacs exclusive of the war charges, confirms, in my opinion, the necessity for a careful control of the expenditure, both imperial and provincial, which was impressed upon your Government in my Despatch of the 28th of June last, No. 183.

I have, &c.
Kimberley.

— No 8. —

The Secretary of State for India to the Governor General in Council,
22 November 1883, No. 348 (Financial).

My Lord Marquis,

Paragraph 1. I HAVE considered in Council your Excellency's letter, dated the 24th of August, No. 233, replying to my Despatch to you of the 28th of June, No. 183, in which I commented on the increase that had occurred in recent years in the aggregate imperial and provincial expenditure of India, and referred to the very variable outlay of the Provincial Governments, whose balances appeared likely, according to the estimates, to be in some cases reduced to a lower amount than was expedient. Hence, while recognising that the additional outlay had been accompanied by a large and satisfactory growth of revenue, and that I had no reason to doubt that it had been incurred for desirable objects, I deemed it necessary to request that, subject to certain exceptions, the Provincial Budgets might be in future prepared on the principle of keeping the expenditure within the income.

2. I do not propose in this Despatch to follow the detailed explanations given in your letter, and in the interesting Minute of Sir Evelyn Baring which accompanied it; and I will now only refer to the main points on which stress is laid in those papers.

3. In the 4th paragraph you express your full concurrence in the importance, even in a time when the financial position may be favourable, of watching with

care every growth of the expenditure, and state that you are not aware of any remissness in the manner in which that duty has been performed during the last three years. I hoped that in my Despatch I had made it evident that, notwithstanding the general increase of charge, I viewed it as in a great measure unavoidable; and that the only point on which it appeared to me that there might not have been sufficient control was the expenditure of the provincial balances, to which I shall refer presently.

4. It is stated in the 10th paragraph that any comparison between the estimates of incomplete years and the accounts of former years must of necessity be faulty, owing to the caution with which the estimates are compiled. I agree in the advantage of taking the estimates of revenue at no higher an amount than is reasonably safe, and of erring rather on the side of a low receipt in any case of doubt; but, with regard to the expenditure, the estimates should be as accurate as it is practicable to frame them, and it was partly for this reason that in my Despatch I dealt, as a general rule, with the gross expenditure, of which the comparison would not be vitiated (as might have happened in regard to net expenditure) by what I perceived to be the great moderation of some of the estimates of revenue. The estimates of expenditure serve a double purpose, first, to give security that a proper balance is maintained between income and outlay, and, secondly, to prescribe a limit beyond which disbursing authorities are not permitted to go; and, unless they are compared with past accounts, their utility as a check on growing expenditure is greatly diminished. While, therefore, allowance should undoubtedly be made for the circumspection with which they have been prepared, it cannot with propriety be pleaded that the estimates of expenditure are incorrect, and therefore that the criticism passed on them is unsound.

5. Your Excellency points out, in paragraph 12, that the deduction of the war charges in the triennial period from 1880-81 to 1882-83 was incomplete, because in 1881-82 the ordinary military expenditure comprised about 660,000 *l.*, which is believed to have been due to the military operations. Accepting this correction, it will be necessary to reduce the *average* charge for that period, not by 660,000 *l.*, as stated in your letter, but by one-third of that sum, or 220,000 *l.*

6. In paragraph 13 your Excellency remarks that the method of examining in detail the increase of expenditure under one head after another, without reference to the increase of revenue, must lead to inaccurate conclusions; and you give instances in which the increase of charge under one head or in one year has had the result of at least proportionately increasing the revenue under another head or in a succeeding year. Your Excellency's remark is perfectly just, but it was by no means my object to prove that under any particular heads the expenditure had unduly increased; what I desired to show was that, under almost every one of the ordinary heads of charge, there was a continued and unavoidable increase, a fact which made it the more necessary to check the expenditure in the few directions where it might be possible to do so.

7. The explanation given regarding the postal and telegraph charges, by which you show that, if in the former case indirect receipts are taken into account, and if in the latter case capital charges are excluded, those services are nearly or quite self-supporting, is satisfactory. At the same time, however, I must desire that you will exercise a careful supervision of the increasing charges under these heads.

8. In paragraph 27 your Excellency remarks on the distinction between the provincial and the local balances, and observes that the local bodies would have been justified by their increased income in spending, during the last three years, 591,000 *l.* a year in excess of the average of the previous 10 years; and that for the expenditure of this money no reference to the Government of India is necessary. Although this is true, the budgets of the local bodies have to be approved by the Provincial Governments; and I consider it desirable that, in these cases also, great fluctuations of expenditure should be avoided, and that the outlay should be regulated on somewhat similar principles to those prescribed in regard to the provincial expenditure.

9. Your

9. Your Excellency next adverts to the point to which you rightly observe that I attach great importance, namely, that, when additional grants are made from the provincial balances, it should be only on the condition that the establishments are not materially enlarged. This question is examined at some length by Sir Evelyn Baring; and, while admitting that in British Burma, and in a minor degree in Madras, it will be necessary to reduce the establishments which were temporarily increased, he arrives at the conclusion that, speaking generally, the increase which has taken place, except in consequence of the opening of new railways and canals, is only temporary, and that the staff so engaged can be discharged at short notice when their services are no longer required. It is with satisfaction that I receive your assurance that you keep steadily in view the instructions on this subject contained in the Marquis of Hartington's Despatch of the 8th of September 1881, No. 50 (Public Works).

10. In paragraph 30 your Excellency refers to the army non-effective charges, remarking that over the greater portion of those charges the Government of India has no control whatever. It is of course true that, as mentioned in the 24th paragraph of my Despatch of the 28th of June, no steps can be taken for the reduction of pensions already granted or promised to those now in the service. But it should not be forgotten that a large part of the increase which has occurred in recent years has been caused by the augmentation of pensions granted to officers of the Indian Service, one result of which has been greatly to reduce the establishment of effective officers, and therefore to diminish the prospective liability for officers' pensions.

11. In the 31st paragraph you complain that my Despatch, while pressing upon you the necessity of reducing expenditure, took no notice whatever of the proposals made in 1881 for the reduction of the army charges. Those proposals were of so important a character that it would hardly have been proper to have treated them merely as incidental to the general subject of economy; but my views thereon were fully expressed in my Despatch of the 26th of July last, No. 243 (Military), from which you will perceive that I was not satisfied that any financial saving would result from the adoption of the main recommendations of your Government, to which I have been unable to agree. In other Despatches I have expressed my views on the detailed propositions, and large reductions have been effected in consequence.

12. You further express an opinion that it is "necessary that some system should be devised, under which the Government of India should not be liable to have heavy charges thrown upon it, with little reference to the special wants of India or to the condition of its finances." Your Excellency is doubtless aware that in many instances objection has been taken by my predecessors to measures proposed from time to time by the War Office, on the ground of the additional cost to India, and I shall continue to watch carefully the interests of that country in all similar cases; but, the European forces in India being part of the general army of the United Kingdom, it is not practicable to refuse to the troops which are serving in India advantages conceded by Her Majesty's Government, and sanctioned by Parliament, for the remainder of the army of Her Majesty.

13. Your Excellency questions the propriety of my remark that over a number of specified branches of expenditure the Local Governments have more or less direct control; and that I feared that the paramount consideration of keeping the expenditure within the income of the year had not on all occasions received the attention it deserves. I referred to the fact that a large part of the expenditure under those headings had been made over to the supervision of the Provincial Governments, and that in the budgets of many of those Governments in recent years the sanctioned expenditure was greatly in excess of the estimated income of the year, as distinguished from the accumulated balances. You do not, as I understand it, dispute the accuracy of this position.

14. You then refer to an error, which I much regret, in the 27th paragraph of my Despatch, in which it was said that "the Provincial Governments exceeded their annual income in 1881-82 by 1,520,000 l., and in 1882-83 by 1,525,000 l., and they are estimated to do so in 1883-84 by 1,500,000 l.," whereas in the year 1881-82 the annual income exceeded the expenditure by

the amount named above; and you observe that, "by the subtraction instead of the addition of about 1,500,000 *l.*, an error of 3,000,000 *l.* is created." In my Despatch the amounts commented on were not added together as showing a cumulative excess on the part of the Local Governments. The increase of the balances in 1881-82 had not been overlooked or mistaken for a deficit; and was commented upon in paragraph 49 of my Despatch of the 12th of July, No. 196. The point which I was enforcing (as you recognise in the 46th paragraph of your letter) was, that, "the expenditure should be at a sufficiently uniform rate to avoid violent fluctuations;" and the passage should have continued, "According, however, to Abstract B, appended to your Financial Statement, the Provincial Governments spent less than their annual income in 1881-82 by 1,520,000 *l.*, but exceeded it in 1882-83 by 1,525,000 *l.*" I had before me at the time the want of true economy in irregular accumulations as well as in too large expenditure, and hence in the following paragraph I remarked that the provincial balances should be maintained at a moderate but not excessive amount.

15. In the 39th and following paragraphs of your letter, your Excellency deals with the subject of the reduction of the provincial balances, and with the fear that, if the rate of expenditure were not speedily reduced, difficulty would arise in restoring the equilibrium. You correctly observe that much importance is attached to this subject by Her Majesty's Government, as evinced by Lord Hartington's Despatches, No. 222 of 1881 (paragraph 50), and No. 243 of 1882 (paragraph 41), and it was perhaps partly the omission of your Government to reply to those paragraphs which led me to fear that sufficient attention might not have been paid in India to that question.

16. You state that the expenditure from the balances which accumulated during the Afghan War is of a purely temporary nature, and that, if any Provincial Government had increased its permanent recurring annual expenditure above its permanent recurring annual income, the position would be serious. There would also be ground for anxiety if those Governments had undertaken large public works, which it would be false economy not to complete, but which yet could not be completed with the resources at their disposal. But such apprehensions are, in your opinion, unfounded, the provincial works being isolated, and entailing no liabilities except the small one for the completion of each, the railways and canals being already completed, or nearly so, while the expenditure on civil buildings and roads is entirely under the control of the Government. I had to some extent anticipated the explanation you afford, and it is gratifying to me to receive an assurance from your Excellency, which removes whatever difficulty I have felt in regard to this class of expenditure in the past.

17. With regard, however, to the future, it becomes necessary to consider what rules should be laid down as to the amount of the balances to be maintained by the Provincial Governments, and the extent to which accumulations may be drawn upon by them.

18. In my Despatch I alluded particularly to the comparatively low amounts at which it is estimated that the balances of the Governments of Bengal and British Burma will stand on the 31st of March 1884, and you agree in thinking that those balances are too low. But you observe that no blame can be imputed to the Lieutenant Governor or Chief Commissioner in this matter, because hitherto the rule has been that laid down in the Financial Resolution of the 22nd March 1877, No. 1709, namely, that "a Local Government must never absolutely exhaust its balance in the Imperial Treasury."

19. I had not been prepared to find that this was the only regulation in force; for, in the 41st paragraph of the Financial Statement of the 8th of March 1882, when referring to the new quinquennial arrangements made with the Local Governments, it was observed that "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

“ any such reserve funds have been accumulated, they will be free to be employed on works of a productive or a protective character.”

20. So far from permitting the Local Governments nearly to exhaust their balances, these words seem to imply that, while hitherto they had been expected to save enough to meet the exigency of famine, it would, in future, only be necessary for them to keep, in addition to their working balance, a moderate reserve. This should, in my opinion, be the rule; and you entirely agree in the suggestion I made that the minimum should “ be fixed at such an amount as, without unduly locking up their funds, shall suffice to meet any exceptional demands that are at all likely to occur.”

21. Considering that the precise sum must depend on the size, revenue, and liabilities of each province, and on its liability to famine, you propose the following amounts as suitable for the provincial, apart from the local, balances :

Central Provinces	£.
British Burma	80,000
Assam	60,000
Bengal	50,000
North-West Provinces and Oudh	200,000
Punjab	200,000
Madras	100,000
Bombay	200,000
TOTAL	£. 1,090,000

These amounts appear to be suitable in the present circumstances of the several provinces, and I approve of their adoption as the minimum balances to be retained.

22. The question, then, remains, how far the Local Governments should have at their absolute disposal any sums in their balances in excess of these fixed amounts. I readily admit that the accumulations of recent years were due to exceptional circumstances, as, indeed, I recognised in the 29th paragraph of my Despatch of the 28th of June; and that, as you are able to assure me that the expenditure to which they have been devoted is of a temporary character, it has been of advantage that they should have been spent on works of utility.

23. In my Despatch of the 28th of June, however, when treating of the regulations to be prescribed for the future, I had in view a state of affairs in which the balances of many of the provinces were reduced to an unduly low point; and it had to be considered what steps should be taken to prevent their exhaustion, and a consequent demand on your Government for further assistance. In this view, I suggested the propriety of laying down a rule that the Budgets of the Local Governments should be so prepared as to keep the annual expenditure within the annual income, unless some public work had to be undertaken of great importance, which could be executed by contract, and which would involve no permanent increase of establishments.

24. Your Excellency objects to the exclusion of minor works from the objects to which the surplus balances of Local Governments may be devoted, to the enforcement of the contract system in all cases, and to the prohibition of a temporary increase of establishments. But I had no intention of prescribing the specific conditions to which you refer for general adoption, and they were merely named in illustration of my meaning. You are, however, willing to instruct those Governments that their balances must not, without your special sanction, be reduced below the prescribed minimum in each province; that it is desirable that they should in future avoid great fluctuations of expenditure; and that great care must be taken not to increase the permanent public works establishments beyond what would be required when any surplus balances are exhausted. These instructions seem calculated, without interfering with the power of the Local Governments over their balances, to effect the object which I have in view, of avoiding any sudden increase of charge, and they accordingly have my approval.

25. I am glad to learn, from the closing paragraphs of your letter, that your Excellency will be able to reduce not merely the provincial, but also the imperial, expenditure on public works of an unremunerative character, particularly on civil buildings; that you will desire the several Departments, as well as the Local Governments, to prepare their estimates of expenditure with special care, so that they may be more likely to agree with the actual outlay than has been sometimes the case in past years; and that all Departments will be informed that in the Estimates of 1884-85 no increase of expenditure should be provided for except on grounds of the clearest necessity, and that the estimates must be framed with a strict view to economy.

26. In the light of the explanations afforded by your letter under reply, and that of the same date, No. 234, enclosing a Minute by Sir Evelyn Baring, to which I have replied separately, I have much satisfaction in now according my approval of the measures you propose to take, in order to secure additional economy in the public expenditure, and particularly in that entrusted to the Local Governments.

27. As your Excellency is desirous of receiving a reply early in December, I have, on the 20th instant, addressed to you the following telegram:—

“Your Financial Letter of August 24th, No. 233. Last nine paragraphs. “Proposals approved.”

I have, &c.
Kimberley.

— No. 9. —

The Secretary of State for India to the Governor General in Council,
22 November 1883, No. 349 (Financial).

My Lord Marquis,

Para. 1. YOUR Excellency's letter, dated the 24th of August, No. 234, forwards two very interesting Minutes by Sir Evelyn Baring, dated the 11th of August, to which is annexed a Memorandum by Mr. Barbour, the Financial Secretary to your Government, on the subject of the alleged increase of expenditure in India during the last three years, which is further illustrated by a statement of the net accounts from 1871-72 to 1883-84, prepared by the Comptroller General. As there is also much valuable detailed information given in your letter, No. 233, and the Minute recorded by Sir Evelyn Baring on the 24th of August which accompanied it, it may be convenient if I endeavour to sum up in one Despatch the results of my examination of these papers.

2. I agree with Sir Evelyn Baring in his objection to a comparison of the expenditure of any single year with the average expenditure of a series of former years, and I consider that the method of comparison by triennial or somewhat similar periods, adopted in my Despatch of the 28th of June last, No. 183, gives a truer result.

3. The table which was appended to the Financial Statement of March last rearranged the accounts for all years since 1871-72, inclusive, on the basis of the Budget for 1883-84, and therefore furnished the means of obtaining a more correct comparison than could be made by reference to the figures in the accounts presented to Parliament. Sir Evelyn Baring, however, points out that it is necessary to examine the question in greater detail, since it frequently happens that an increase of expenditure incurred under one head is directly productive of an increase of revenue recorded, not under the corresponding head of receipt, but under an altogether different heading. This objection applies, of course, to the allegation of an increase of expenditure under the particular head rather than to a comparison of the total net expenditure of the country in various years.

4. He also observes that the average decennial expenditure, especially on public works, having been greatly reduced in consequence of the economy enforced during the Afghan War, and the surplus which then accrued in the provincial balances, under the established financial arrangements between the
Government

Government of India and the Local Governments, having been subsequently spent on works of public utility, a complaint of an increase of expenditure in the later years, when compared with that in those which went before, after deducting the war charges, involves the absurdity that, the larger proportion of its income the Government spends on war, the greater is its apparent economy in the management of the finances. The excessive expenditure from the provincial balances in recent years has, Sir Evelyn Baring states, been of a purely temporary nature, and would in ordinary course have been reduced in the coming year.

5. To forbid the Local Governments to spend, for the advantage of the territory that they administer, the savings of a previous year, would, Sir Evelyn Baring remarks, deprive them of any motive for economy, and the result would be that much waste would often be incurred, in order that the whole income might be expended within the year.

6. Sir Evelyn Baring, moreover, observes that the increase which appears in the accounts is not in pounds sterling, but must be measured in rupees; in this he is quite right, but the same rule applies to a conversion of amounts in rupees into sterling at the rate of exchange for the year, since the variations in the exchange value of the rupee do not affect expenditure which occurs in India, forming, as it does, by far the greater part of the whole.

7. With this preliminary summary of the chief general remarks, I proceed to consider the observations relating to the details of expenditure, and, for the sake of convenience, I will take the heads in the order in which they were arranged in the Comparative Statement laid before the House of Commons this year (Paper No. 268), of which I enclose a copy. I accept the figures stated in Sir Evelyn Baring's Minute of the 11th of August (Appendix II.).

8. *Interest on Ordinary Debt* (excluding that charged to Productive Public Works) :—

	£.
1871-72 to 1873-74, average of three years - - -	5,038,000
1874-75 to 1876-77, ditto - ditto - - -	4,475,000
1877-78 to 1880-81, average of four years - - -	4,377,000
Average of 10 years - - - - -	4,605,000
1881-82 to 1883-84, average of three years, according to estimates for last two years - - - - -	3,945,000

Minute of 24 August, paras. 10 and 11.
Minute of 11 August, para. 30.
Appendix II., paras. 2 to 4.

The greater part of the reduction is caused by the fact that the capital expenditure on Productive Public Works has largely exceeded the amount borrowed for the purpose; and, as the equivalent of the full sum so spent is annually transferred from the Ordinary to the Productive Works portion of the debt, while the former is, in place of the sums so transferred, only increased by the amount actually borrowed, the interest chargeable on the ordinary portion has been considerably diminished. There has, moreover, been a saving of about 80,000 *l.* a year by the operation of the famine insurance scheme, under which sums amounting to 2,177,000 *l.* will have been applied during the last three years to the redemption of debt.

9. *Interest on Deposits* :—

Average of—	£.
1871-72 to 1873-74 - - - - -	527,000
1874-75 to 1876-77 - - - - -	387,000
1877-78 to 1880-81 - - - - -	383,000
10 years - - - - -	428,000
1881-82 to 1883-84 - - - - -	479,000

Letter 233, para. 34.
Minute of 24 August, para. 10.
Minute of 11 August, paras. 8 and 31.
Appendix II., paras. 5 to 8.

The great reduction shown after 1873-74 was due to the arrangements consequent on the assumption by Government of the liabilities of the Civil Service Provident Funds, to which I shall again refer under the head of Superannuation (in paragraph 48). The charge in the last period was increased by the alteration made in 1881-82, in the practice of debiting the interest on the Presidency Savings Banks deposits in the year in which credit was given in the detailed banking accounts, instead of in the succeeding year, and it is reduced by the transfer in 1883-84 of the charge connected with the Bombay Civil Service Provident Fund to the head of Superannuation; the increase in the

average arising from these nominal transactions is 16,000 *l.* The greater portion of the increase during this period is, however, due to the raising of the rate of interest on Savings Bank deposits in December 1879 from 3½ to 4½ per cent., and to the large addition to the deposits ensuing thereon, which were not withdrawn when the rate of interest was again reduced to 3½ per cent. in May 1881.

Mr. Westland's
Note of 20 June
1883, p. 2.

Letter No. 233,
paras. 15 to 18.
Minute of 11
August, paras. 18
and 19.
Mr. Barbour's Note,
para. 4.
Mr. Westland's
Note, para. 2.

10. *Refunds and Drawbacks.*—In the revised statement of net revenue and expenditure, prepared by the Comptroller General, from which Sir Evelyn Baring's figures are taken, the refunds have been deducted in each case from the revenue head to which they respectively appertain.

11. *Assignments and Compensations* have been treated by him in a similar manner, those relating to transit duties and to the Goa Convention being deducted from the receipts for tribute.

12. Land Revenue Receipts.

	Gross Revenue.	Refunds and Assignments.	Revenue, less Refunds and Assignments.
Average of—	£.	£.	£.
1871-72 to 1873-74 - -	20,989,000	847,000	20,142,000
1874-75 to 1876-77 - -	20,921,000	873,000	20,048,000
1877-78 to 1880-81 - -	21,337,000	811,000	20,526,000
10 years - - - -	21,108,000	840,000	20,268,000
1881-82 to 1883-84 - -	21,814,000	847,000	20,967,000

Minute of 24
August, paras. 27 to
30.
Minute of 11
August, paras. 37
to 49.
Appendix II.,
paras. 9 to 16.

Had not the portion of the land revenue due to Irrigation been excluded since the year 1878-79, and credited under Productive Public Works, the average receipts would have appeared as follows:—

Average of—	£.
1871-72 to 1873-74 - - - -	20,142,000
1874-75 to 1876-77 - - - -	20,048,000
1877-78 to 1880-81 - - - -	20,907,000
10 years - - - - -	20,420,000
1881-82 to 1883-84 - - - -	21,490,000

Owing to the remissions or postponements of collections during famine, there have been great fluctuations in the receipts, but on the whole the land revenue shows a steady tendency to increase.

Letter 233, para. 19.
Minute of 24
August, paras. 18,
and 26 to 30.
Minute of 11
August, paras. 38,
44, and 60.
Mr. Barbour's Note
para. 2.
Appendix II., paras.
27 to 42.

13. Collection of Land Revenue:—

Average of—	£.
1871-72 to 1873-74 - - - -	2,833,000
1874-75 to 1876-77 - - - -	2,905,000
1877-78 to 1880-81 - - - -	2,956,000
10 years - - - - -	2,904,000
1881-82 to 1883-84 - - - -	3,091,000

This expenditure, which Sir Evelyn Baring correctly explains to be the general charges of district administration, includes the salaries and establishments of the district officers, whether engaged directly in the collection of the land revenue or otherwise, with the exception of the portion thereof arbitrarily debited to Law and Justice, which in most provinces is one-half, but in Madras only one-fifth. The general tendency of these charges is necessarily to increase, with the growth of population, the addition to the revenue collected, and the material development of the country. There have, however, been certain special reasons for an increase of this expenditure; the reorganisation of the subordinate executive services has been effected, at a cost of 45,000 *l.* a year (divided between this head and Law and Justice); the State has undertaken the payment of patwaris and kanungos in Oudh, involving a charge of 75,000 *l.* a year, which is equivalent

equivalent to a remission of that amount of taxation to the landlords; the establishment of kanungos was at the same time increased, at an expense of 10,000 *l.* a year; in the North West Provinces the establishment of patwaris has been increased, and new settlement operations undertaken; while in Madras the formation of the new district of Anantapur, an increase of the land settlement charges, and the payment of the allowances of district and village officers which had fallen into arrear, have added about 39,000 *l.* a year to the expenditure of 1883-84.

14. *Opium.*

	Gross Revenue, less Refunds.	Expenditure.	Net Revenue.
Average of—	£.	£.	£.
1871-72 to 1873-74 - - -	8,755,000	1,804,000	6,951,000
1874-75 to 1876-77 - - -	8,717,000	2,468,000	6,249,000
1877-78 to 1880-81 - - -	9,844,000	2,114,000	7,730,000
10 years - - - - -	9,179,000	2,127,000	7,052,000
1881-82 to 1883-84 - - -	9,541,000	2,189,000	7,352,000

The expenditure in recent years has been much below that which prevailed during the period from 1874-75 to 1876-77; but Sir Evelyn Baring observes that it is mainly regulated by causes beyond the control of the Government, and that a low expenditure is a matter for regret, as it shows that the poppy crop in Bengal has been short, and consequently that a diminished revenue in subsequent years is to be anticipated. This is true, though it omits to notice the fact that it may sometimes be necessary to increase the payment to the cultivators, in order to prevent a contraction of the area cultivated. A small addition of 5,800 *l.* a year has been made to the charge, in consequence of the reorganisation of the subordinate establishments in Bengal; but it is expected that this will be covered by the increase of revenue resulting from greater efficiency.

Minute of 11 August, paras. 44, 45, 55, and 71. Appendix II., paras. 43 to 45. Letter 233, paras. 7, 14, and 36.

15. *Salt.*

	Gross Revenue, less Refunds.	Assignments and Compensations.	Expenditure.	Net Revenue.
Average of—	£.	£.	£.	£.
1871-72 to 1873-74 - - -	6,061,000	45,000	479,000	5,537,000
1874-75 to 1876-77 - - -	6,227,000	45,000	487,000	5,695,000
1877-78 to 1880-81 - - -	6,884,000	226,000	414,000	6,244,000
10 years - - - - -	6,440,000	118,000	453,000	5,867,000
1881-82 to 1883-84 - - -	6,517,000	338,000	510,000	5,669,000

When the Inland Customs Line was abolished in 1878-79, heavy payments were made to the Native States as compensation for their loss of revenue through the reforms then instituted, and this must therefore be taken into consideration in treating of the net revenue derived from salt. The increase of expenditure in recent years is to a great extent nominal, about 57,000 *l.** being due to the inclusion of the cost of freight to the depôts in Northern India, and also in Bombay, a corresponding increase being made to the selling price, while in Madras establishments costing about 12,000 *l.* have been transferred from the Police to the Salt Department. There has, however, been a real increase of 35,000 *l.*

Letter No. 233, paras. 15 to 18, and 36. Minute of 24 August, paras. 22 and 23. Minute of 11 August, paras. 38a, 44, 54a, 68, and 70. Mr. Barbour's Note, para. 4. Appendix II., paras. 46 to 61.

* Carriage and freight in Northern India -	£. 73,095
Cost of purchase and freight in Bombay (13,856 <i>l.</i> + 18,000 <i>l.</i>) - - - - -	31,856
	104,951
Less partial abandonment of depôt system (20,700 <i>l.</i> + 27,000 <i>l.</i>) - - - - -	47,700
	£. 57,251

for the improvement of the preventive establishments in Madras, and of 20,000 *l.* for similar reforms in Kathiawar and for a payment to Maharajah Holkar. The revenue, by the latest accounts, shows a most satisfactory tendency

to increase; and, notwithstanding the reduction of the duty to 2 rupees a maund in 1882, Sir Evelyn Baring says that he doubts not that the revenue at the reduced rate will in a few years be equal to that formerly realised at the higher rate.

16. *Stamps* (excluding Court Fees).

	Revenue.	Charges.	Net Revenue.
Average of—	£.	£.	£.
1871-72 to 1873-74 - -	862,000	33,000	829,000
1874-75 to 1876-77 - -	858,000	45,000	813,000
1877-78 to 1880-81 - -	1,001,000	46,000	955,000
10 years - - - -	916,000	42,000	874,000
1881-82 to 1883-84 - -	1,081,000	44,000	1,037,000

Minute of 24 August, para. 50.
Minute of 11 August, paras. 23 and 56.
Appendix II., paras. 17, 18, and 70.
Mr. Westland's Note, para. 3.

Mr. Westland has deducted from the stamp revenue the receipts from Court Fees, as being strictly receipts on account of "Law and Justice," and has similarly separated the charges according to what he conceives to be a reasonably accurate division. The expenditure is nearly stationary, while the revenue is steadily growing from year to year. About 7,000 *l.*, however, has been merely transferred from the head of Registration.

17. *Excise.*

	Gross Revenue, less Refunds and Assignments.	Expenditure.	Net Revenue.
Average of—	£.	£.	£.
1871-72 to 1873-74 - -	2,826,000	124,000	2,702,000
1874-75 to 1876-77 - -	2,451,000	90,000	2,361,000
1877-78 to 1880-81 - -	2,746,000	98,000	2,648,000
10 years - - - -	2,531,000	103,000	2,428,000
1881-82 to 1883-84 - -	3,498,000	95,000	3,403,000

Minute of 11 August, para. 51.
Appendix II., paras. 19 and 20.
Mr. Westland's Subsidiary Statement.

The expenditure has not increased, and, though there has been an addition of about 50,000 *l.* a year since 1880-81 to the compensations in Bombay and for refunds, this is very much more than covered by the rapid increase of the revenue.

18. *Provincial Rates.*

	Gross Revenue, less Refunds.	Expenditure.	Net Revenue.
Average of—	£.	£.	£.
1871-72 to 1873-74 - -	1,775,000	32,000	1,743,000
1874-75 to 1876-77 - -	1,872,000	49,000	1,823,000
1877-78 to 1880-81 - -	2,618,000	56,000	2,562,000
10 years - - - -	2,142,000	47,000	2,095,000
1881-82 to 1883-84 - -	2,742,000	52,000	2,690,000

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The expenditure shows no tendency to increase, though in Bengal it was higher in 1881-82 owing to the revaluations in progress. The remission in 1882 of the patwari cess in the North West Provinces caused a reduction of 241,000 *l.* a year in the revenue, which otherwise shows a moderate but steady improvement. The large increase of revenue after 1876-77 was chiefly due to the imposition of the additional rates for famine purposes.

Minute of 24 August, paras. 20, 29, 30, and 32. Minute of 11 August, para. 38a, 44, and 53. Note by Mr. Barbour, para. 9. Appendix II., paras. 21 to 23.

19. *Customs.*

Average of—	Revenue, less Refunds.	Expenditure.	Net Revenue.
£.	£.	£.	£.
1871-72 to 1873-74 - -	2,560,000	186,000	2,374,000
1874-75 to 1876-77 - -	2,563,000	192,000	2,371,000
1877-78 to 1880-81 - -	2,381,000	202,000	2,179,000
10 years - - - - -	2,489,000	194,000	2,295,000
1881-82 to 1883-84 - -	1,572,000	165,000	1,407,000

The Customs establishments were considerably reduced when the import duties were abolished, in 1882, with the result that the charge for superannuation was temporarily increased by 25,000 *l.* for gratuities, nearly all of which occurred in 1882-83, and by about 12,000 *l.* a year for pensions.

Minute of 24 August, paras. 20 and 26. Minute of 11 August, paras. 38a, 44, 54, 68, and 69. Appendix II., paras. 62 to 64.

20. *Assessed Taxes.*

Average of—	Gross Revenue, less Refunds.	Expenditure.	Net Revenue.
£.	£.	£.	£.
1871-72 to 1873-74 - -	485,000	15,000	470,000
1874-75 to 1876-77 - -	16,000	-	16,000
1877-78 to 1880-81 - -	557,000	23,000	534,000
10 years - - - - -	373,000	14,000	359,000
1881-82 to 1883-84 - -	595,000	14,000	491,000

The expenditure has been somewhat reduced since the assessments were revised in 1880-81. The revenue is slightly diminishing, as no special steps are taken to raise the persons assessed into higher classes, or to bring under assessment those not previously liable, while the progress of remission and reduction goes on steadily.

Minute of 24 August, para. 20. Minute of 11 August, paras. 38a and 52. Note by Mr. Barbour, para. 9. Appendix II., paras. 24 to 26.

21. *Forest.*

Average of—	Gross Revenue, less Refunds.	Expenditure.	Net Revenue.
£.	£.	£.	£.
1871-72 to 1873-74 - -	574,000	388,000	186,000
1874-75 to 1876-77 - -	636,000	441,000	195,000
1877-78 to 1880-81 - -	664,000	456,000	208,000
10 years - - - - -	629,000	431,000	198,000
1881-82 to 1883-84 - -	908,000	607,000	301,000

Letter No. 233,
para. 36.
Minute of 24
August, paras. 19
and 31.
Minute of 11
August, paras. 13,
44, and 50.
Appendix II., paras.
65 to 68.

The expenditure on Forests has continually increased since 1880-81, and in the Budget for 1883-84 is more than 45 per cent. in excess of any year before 1881-82. This is mainly due to the entire reorganisation of the Department in Madras, and to outlay in Bombay on various operations likely to produce an increase of revenue. At the same time the revenue has increased in a greater ratio than the expenditure, and the net receipts were in 1882-83 nearly 40 per cent. above those of 1880-81; but, owing to moderate estimates, the Budget of 1883-84 shows a greatly diminished net revenue.

22. Registration.

	Gross Revenue, less Refunds.	Expenditure.	Net Revenue.
Average of—	£.	£.	£.
1871-72 to 1873-74 - - -	173,000	117,000	56,000
1874-75 to 1876-77 - - -	190,000	136,000	54,000
1877-78 to 1880-81 - - -	262,000	162,000	100,000
10 years - - - - -	214,000	141,000	73,000
1881-82 to 1883-84 - - -	281,000	183,000	98,000

Minute of 11
August, para. 57.
Appendix II., paras.
69 and 70.

The revenue has remained almost stationary since 1879-80, but it would have been higher by about 7,000 *l.* but for the transfer to the head of Stamps of the fees for inspecting and copying judicial documents in the North-West Provinces. The expenditure shows a gradual tendency to increase. The working of the Deccan Agriculturists Act in Bombay has led to an increase of expenditure and diminution of receipts in that Presidency.

23. Tributes.

	Gross Revenue.	Deductions.		Net Revenue.
		Transit Duties.	Goa Convention.	
Average of—	£.	£.	£.	£.
1871-72 to 1873-74 - - -	751,000	33,000	- - -	718,000
1874-75 to 1876-77 - - -	715,000	37,000	- - -	678,000
1877-78 to 1880-81 - - -	706,000	38,000	12,000	656,000
10 years - - - - -	722,000	36,000	5,000	681,000
1881-82 to 1883-84 - - -	706,000	45,000	56,000	605,000

Minute of 11
August para. 50.
Appendix II., paras.
71 to 74.
Mr. Westland's
Note, para. 2.

As the charges connected with the transit duties and the Goa Convention, included in "Assignments and Compensations," do not appertain to any special head of revenue, they have been treated as a deduction from the tribute receipts. Under the Goa Convention a payment of 49,000 *l.* was made in 1880-81, and it is estimated in 1883-84 at 65,000 *l.* The payments in compensation for transit duties rose in 1880-81 from 39,000 *l.* to 50,000 *l.*, and in 1883-84 are estimated at 49,000 *l.* The revenue cannot fluctuate much, being in most cases fixed by treaty.

24. Post Office.

	Gross Expenditure.	Revenue.	Net Expenditure.
Average of—	£.	£.	£.
1871-72 to 1873-74 - - -	795,000	896,000	99,000
1874-75 to 1876-77 - - -	902,000	768,000	134,000
1877-78 to 1880-81 - - -	1,079,000	946,000	133,000
10 years - - - - -	941,000	818,000	123,000
1881-82 to 1883-84 - - -	1,186,000	980,000	206,000

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According to these figures, the net expenditure of the Post Office has in the last three years increased by nearly 55 per cent. over the charge of the previous seven years, and by 108 per cent. over that of the first period. Your attention was drawn to the increase under this heading in my Despatch of the 27th of September last, No. 279. Since 1871-72, however, the number of post offices and of articles given out for delivery has been doubled, and the number of letter boxes has been quadrupled, involving an increase of the establishment from 10,506 to 18,462 persons. The tendency of the administration of the Post Office is said to have been to advance the interests of the public by curtailing the profits of the Department. How great the additional conveniences have been is shown by the following enumeration of the chief measures of improvement recently adopted. Within the last three years a great reduction has been made in the minimum weight of parcels conveyed, in the registration fee on letters, and in the charge for postage on newspapers. Many new descriptions of business have been undertaken since 1871-72; namely, the Foreign Parcel Post in 1873, by which 88,684 parcels were exchanged last year, the value-payable system in 1877, by which 174,509 articles, valued at nearly 170,000 *l.*, were sent; insurance in 1878, under which articles to the value of 8,180,000 *l.* were insured; money orders in 1880, of which there were issued in 1882-83 about 2½ million orders, their total value exceeding 6,500,000 *l.*; savings banks opened in April 1882, of which there are now nearly 5,000, with more than 50,000 accounts, and a balance exceeding 400,000 *l.*; stock-notes sold by the agency of the Post Office since November 1882; postal notes for fixed sums, first issued in January 1883; and a scheme, now under consideration, for the extension of telegraph work, which, while increasing the postal expenditure, will probably add to the revenue, not of the Post Office, but of the Telegraph Department. The cost of stores has also increased lately, as, besides the regular articles, it has been necessary to obtain a stock of envelopes for soldiers' letters, inland postcards, of which nearly 30 millions were used in 1882-83, international postcards, embossed envelopes for foreign correspondence, and reply postcards recently ordered.

Letter 233, paras. 21 to 23, and 36.
Minute of 24 August, paras. 32 to 40.
Minute of 11 August, paras. 16 and 44.
Appendix II, paras. 75 to 91.

25. Further, it is pointed out that the reforms of the Post Office in many cases improve the revenue under other heads; with the gradual abolition of the bullock train the railway receipts have increased; and the credits from the District Dak service are brought to account under Provincial Rates. Conversely, the postal charges connected with the Biluchistan agency have been removed from the head of Political to that of Post Office, while the latter Department bears the full cost of the subsidy to the British India Steam Navigation Company of 72,500 *l.* a year, which is by no means paid for postal objects only; the rates for all letters on Government service are also very low. On the whole, the Post Office is now very nearly self-supporting.

26. Telegraph.

Average of	Capital Account.			Revenue Account.			TOTAL.		
	Expenditure.	Receipts.	Net Charge.	Expenditure.	Receipts.	Net Charge.	Expenditure.	Receipts.	Net Charge.
	£.	£.	£.	£.	£.	£.	£.	£.	£.
1872-73 to 1873-74 -	122,000	12,000	110,000	325,000	288,000	87,000	447,000	250,000	197,000
1874-75 to 1876-77 -	125,000	8,000	117,000	340,000	304,000	36,000	465,000	312,000	153,000
1877-78 to 1880 81 -	71,000	2,000	69,000	399,000	455,000	—56,000	470,000	457,000	13,000
9 years - - -	100,000	6,000	94,000	363,000	357,000	6,000	463,000	363,000	100,000
1881-82 to 1883-84 -	181,000	6,000	175,000	464,000	510,000	—46,000	645,000	516,000	129,000

[A separate Capital Account was not kept before 1872-73.]

Letter, No. 233,
paras 24 and 25, 36
and 70.
Minute of 24
August, paras. 41
and 42.
Minute of 11
August, paras. 17
and 44.
Appendix II., paras.
92 to 100.

Your Excellency observes that, if capital charges be excluded, the Indian Telegraphs have, since 1877-78, yielded a net revenue which was, doubtless, abnormal during the Afghan War, but is estimated for 1883-84 at 75,000 *l.*. As in other Departments, the capital expenditure was restricted during that period, and, in the last two years, the estimates provide for the outlay of no less than 169,000 *l.* and 268,000 *l.* on capital account, chiefly for the construction of railway telegraphs. I am glad, however, to observe that, in this year and also in 1884-85, the actual outlay is not likely to be so great as the amount inserted in the Budget for 1883-84. Up to the end of the current year, 3,173,000 *l.* will have been spent in capital outlay if the estimates should be fulfilled, the whole of that sum having been paid out of income; as regards the receipts, some reduction may, perhaps, have occurred from the permission first granted in January 1882 to send "deferred" messages at half-rates; but, according to the Budget, the income will amount to nearly 2½ per cent. on the total capital charge. The length of wire is estimated at 66,474 miles on the 31st March next, compared with 28,973 miles in 1871-72.

27. *Mint.*

	Expenditure.	Revenue.	Net Charge.	Net Receipt.
Average of—	£.	£.	£.	£.
1871-72 to 1873-74 - - -	82,000	72,000	10,000	—
1874-75 to 1876-77 - - -	124,000	176,000	-	52,000
1877-78 to 1880-81 - - -	106,000	234,000	-	128,000
10 years - - - - -	104,000	168,000	-	64,000
1881-82 to 1883-84 - - -	83,000	108,000	-	25,000

Minute of 11
August, para. 15.
Appendix II., paras.
101 and 102.

The revenue and expenditure vary according to the amount of silver coined, which depends on the requirements of trade more than on the action of the Government.

28. *General Administration.*

	Expenditure.
Average of—	£.
1871-72 to 1873-74 - - -	1,385,000
1874-75 to 1876-77 - - -	1,429,000
1877-78 to 1880-81 - - -	1,501,000
10 years - - - - -	1,445,000
1881-82 to 1883-84 - - -	1,542,000

Minute of 24
August, paras. 45 to
47.
Appendix II., paras.
103 to 149.

For more accurate comparison, the cost of stationery stores purchased in England, which now is included under "Stationery and Printing," and some minor charges on account of Local Funds, have been omitted from these averages in the years before 1876-77. Sir Evelyn Baring has examined this head of expenditure in great detail, and the following table is compiled from the analysis which he gives.

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	Average of				
	1871-72 to 1873-74.	1874-75 to 1876-77.	1877-78 to 1880-81.	10 Years.	1881-82 to 1883-84.
INDIA :	£.	£.	£.	£.	£.
Governor General, Governors, Lieutenant Governors, and Chief Commissioners - - - -	97,400	100,600	93,900	97,000	93,400
Staff and Household of ditto - - - -	50,600	60,300	66,900	60,000	66,000
Executive Councils - - - -	65,700	67,600	69,000	67,600	66,900
Tour Expenses :					
Government of India - - - -	58,400	58,600	75,200	65,200	76,600
Local Governments - - - -	27,900	28,200	22,400	25,800	24,700
Commissioner of Sind - - - -	10,800	11,000	10,400	10,700	11,600
Legislative Council and Department Secretariats - - - -	21,200	23,200	27,300	24,300	24,800
Consulting Naval Officer - - - -	314,300	319,800	342,800	327,300	328,700
Board of Revenue and Financial Commission - - - -	-	3,000	3,900	2,500	-
Commissioners - - - -	84,800	82,100	88,700	85,600	87,700
Account and Audit Offices - - - -	226,900	217,200	218,000	220,400	223,400
Provincial and Local Fund Establishments in Imperial Offices - -	146,500	163,700	175,400	163,200	196,200
Paper Currency Department - - - -	7,300	9,800	8,800	8,700	21,400
Money Order Department - - - -	24,600	23,800	29,400	26,200	24,700
Allowances to Presidency Banks, &c. - - - -	6,400	4,700	4,000	4,900	-
Reserve Treasury, Press Commission, European Stores, Rates, Rent, and Taxes, and Petty Construction and Repairs - - - -	32,600	35,200	36,500	34,900	41,600
	-	2,100	6,500	3,200	5,600
TOTAL INDIA - - - £.	1,175,400	1,210,900	1,279,100	1,227,500	1,302,300
ENGLAND :					
Secretary of State's Office - - - -	131,100	135,000	134,900	133,800	135,500
Auditor and Assistants - - - -	3,400	4,400	4,800	4,300	5,500
Store Department - - - -	21,700	24,000	24,000	23,300	25,200
Banks of England and Ireland for management of Debt - - - -	15,400	19,600	23,900	20,100	28,000
Law Charges - - - -	2,600	2,400	1,100	1,900	1,300
Postage to and from India - - - -	8,600	8,500	6,100	7,600	4,200
Rent, Rates, and Taxes, &c. - - - -	16,800	16,600	18,900	17,600	18,400
Miscellaneous Charges on account of India - - - -	9,900	6,700	7,600	8,000	3,500
Stores for India, &c. - - - -	-	200	800	400	18,400
TOTAL ENGLAND - - - £.	209,500	217,600	222,100	217,000	240,000
GRAND TOTAL - - - £.	1,384,900	1,428,500	1,501,200	1,444,500	1,542,300

29. It is evident that the charges comprised under the head of Administration are steadily growing, and there are very few years which do not show an increase as compared with the one immediately preceding. This has, however, occurred almost entirely under five or six sub-heads, which it is desirable to examine more closely.

30. The staff and household expenses of the Viceroy, Governors, Lieutenant Governors, &c., have been to some extent increased by the transfer of charges from the tour expenses of the Local Governments; and these two headings must therefore be taken together. In the four periods which I have selected for comparison they amounted to 78,500 l., 88,500 l., 89,300 l., and 90,700 l., respectively. About 2,000 l. of the increase is due to the transfer to this head

of the Viceroy's band, formerly charged under Army; and some 5,000 *l.* or 6,000 *l.* arises from the revision of the rules in regard to the tour expenses of the Local Governments.

31. The tour expenses of the Government of India have been 58,400 *l.*, 58,600 *l.*, 75,200 *l.*, and 76,600 *l.* Sir Evelyn Baring speaks of "a slight tendency to a real increase under this head, due to the gradual growth of establishments as work expands," and he trusts that "the Government of India will never think of abandoning the annual move to Simla," as a great deal of the cost to the Government comes back in the form of Post Office and Railway receipts, and "the advantage to the public service which accrues from the move is," in his opinion, "out of all proportion to the real annual expenditure." Without controverting this view, I cannot refrain from remarking that the expense of the removal of the Government to Simla appears greatly to have increased since the period of its absence from Calcutta has been so much prolonged as in recent years, owing to which it has become important to transfer to the seat of the Government many departments or establishments which formerly it was not considered essential to take away for a few months from Calcutta. I cannot but think that under this head of charge there is room for economy.

32. The Secretariat offices have cost annually 314,300 *l.*, 319,800 *l.*, 342,800 *l.*, and 338,700 *l.* in the four respective periods. The increase is distributed among the several Secretariats of the Government of India and of the Local Governments; and Sir Evelyn Baring observes that no one who has actual experience of their working can think the present establishments too large. There can be no doubt that the increased attention given to the material and other requirements of the country in recent years has caused far greater demands on the various public offices.

33. The offices of Account and Audit required an average annual expenditure of 146,500 *l.*, 163,700 *l.*, 175,400 *l.*, and 196,200 *l.*, in the four several periods. As is observed by Sir Evelyn Baring, the work of the account offices must increase as the revenue and expenditure expand, and it would be no true economy to weaken these establishments. The recent enlargement of the Audit branch, and revision of the Accounting offices, since the Afghan War, have been the cause of the increase which appears in the most recent years.

34. The cost of the Provincial and Local Fund establishments in Imperial offices has more than doubled in the last few years, the average charge in the four periods having been 7,300 *l.*, 9,800 *l.*, 8,800 *l.*, and 21,400 *l.* To the extent of 5,000 *l.* the increase is nominal, owing to the transfer of certain charges in Madras; and the remainder is due to a revision of the office of Examiner of Local Fund Accounts in Bengal, and to the general growth of the Local Funds establishment in Madras. These increases are a necessary corollary to the development of the Provincial financial system.

35. The allowances to the Pre-idency banks must necessarily grow with the augmentation of the public debt, though to a slight extent the increase arises from the development of the business of the savings banks; an arrangement has, however, been recently made for a fixed payment to the banks on account of the latter. The total average payments have been 32,600 *l.*, 35,200 *l.*, 36,500 *l.*, and 41,600 *l.*

36. The remaining expenditure in India under the head of Administration has amounted, on the average, to 537,800 *l.*, 535,300 *l.*, 551,100 *l.*, and 537,100 *l.*; and, although there have been a few merely nominal savings, such as the transfer of the Money Order Department to the Post Office, there has been no such increase as to call for any special remark. In England the increase is accounted for by the augmented payments for the management of the debt, and for stores for India, &c.

37. *Law and Justice* (including Court Fees).—In treating of the Stamp revenue, in paragraph 16, I referred to the Comptroller General's deduction therefrom

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from of the Court fees, as being strictly receipts on account of "Law and Justice." It therefore becomes necessary to include them here:—

	Expenditure.			Receipts (less Refunds).			Net Expenditure.
	Under Law and Justice.	Under Stamps.	Total.	Under Law and Justice.	Court Fees.	Total.	
Average of—	£	£.	£.	£.	£.	£	£.
1871-72 to 1873-74 - -	2,866,000	61,000	2,927,000	559,000	1,699,000	2,258,000	669,000
1874-75 to 1876-77 - -	3,078,000	64,000	3,142,000	565,000	1,916,000	2,481,000	661,000
1877-78 to 1880-81 - -	3,237,000	64,000	3,301,000	612,000	2,102,000	2,714,000	587,000
10 years - - - -	3,078,000	63,000	3,141,000	582,000	1,925,000	2,507,000	634,000
1881-82 to 1883-84 - -	3,284,000	67,000	3,351,000	661,000	2,288,000	2,949,000	402,000

Sir Evelyn Baring remarks that it would be erroneous to suppose that the net cost of the administration of "Law and Justice" is shown by the difference between the expenditure and receipts under that head, since the cost of the Law Courts is mainly paid by suitors in the form of Court fees, credited under Stamps. The real cost has, therefore, been steadily diminishing, and the net result would be lower but for the caution with which the Estimates have been framed. There have, moreover, been special circumstances tending to produce a less favourable result lately. The introduction of the system of impressed labels instead of adhesive stamps has caused unusually large purchases of stock; the reorganization of the Subordinate Civil Service, and the augmentation of the number of munsiffs, have increased the expenditure; and the measures taken by your Government to diminish the competition of jail with free labour has caused the estimate of the receipts to be reduced.

Minute of 24 August, paras. 49 and 50.
Minute of 11 August, paras. 22, 23, and 60.
Mr. Barbour's Note, para. 2.
Appendix II, paras. 150 to 165.
Mr. Westland's Note, para. 3.

38. Police.

Average of—	Expenditure.	Receipts.	Net Charge.
	£.	£.	£.
1871-72 to 1873-74 - -	2,465,000	275,000	2,190,000
1874-75 to 1876-77 - -	2,475,000	220,000	2,255,000
1877-78 to 1880-81 - -	2,480,000	234,000	2,246,000
10 years - - - -	2,474,000	242,000	2,232,000
1881-82 to 1883-84 - -	2,631,000	234,000	2,397,000

The increase which has taken place in the last three years is partly due to the reorganization of the village and district police in British Burma, the purchase of arms for village police in Bengal and Bombay, and the additional cost of clothing in the latter Presidency, but the greater portion arises from the acceptance by the Provincial Governments, on the renewal of their contracts at the end of 1881-82, of the police charges hitherto borne by municipalities.

Minute of 24 August, para. 51.
Minute of 11 August, para. 24.
Appendix II, paras. 166 to 170.

39. Marine.

Average of—	Expenditure.	Receipts.	Net Charge.
	£.	£.	£.
1871-72 to 1873-74	557,000	214,000	343,000
1874-75 to 1876-77	643,000	255,000	388,000
1877-78 to 1880-81	543,000	247,000	296,000
10 years	577,000	239,000	338,000
1881-82 to 1883-84	561,000	219,000	342,000

Minute of 11
August, para. 11.
Appendix II., paras.
171-172.

The increase of expenditure in the last period arises partly from the construction of a new troopship costing 129,000 *l.*, and partly from the low estimates of the receipts. It would have been greater on the average by about 23,000 *l.*, but for the removal of pensions and furlough allowances from this head, amounting to 35,000 *l.* in each of the last two years.

40. Education.

Average of—	Expenditure.	Receipts.	Net Charge.
	£.	£.	£.
1871-72 to 1873-74 - -	881,000	152,000	729,000
1874-75 to 1876-77 - -	1,003,000	146,000	857,000
1877-78 to 1880-81 - -	986,000	152,000	834,000
10 years - - - -	960,000	151,000	809,000
1881-82 to 1883-84 - -	1,188,000	198,000	940,000

Minute of 11
August, paras. 25
and 26.
Appendix II., paras.
173 to 177.
Note by Mr.
Barbour, para. 2.

Sir Evelyn Baring observes that it would be difficult to assign a limit to the amount of money which might usefully be devoted to education in India, and that it is satisfactory to see that, since the pressure of the war was removed, the Local Governments have been able to expend larger sums in this direction. The increase of the receipts from school fees since 1879-80 is also a source of satisfaction.

41. Ecclesiastical.

Average of—	Expenditure.
	£.
1871-72 to 1873-74 - - - - -	160,000
1874-75 to 1876-77 - - - - -	164,000
1877-78 to 1880-81 - - - - -	157,000
10 years - - - - -	160,000
1881-82 to 1883-84 - - - - -	164,000

The variations are very slight, depending chiefly on the number of chaplains absent on furlough. In the Estimates full provision is made for the number at all likely to be present on duty.

42. Medical.

Average of—	Expenditure.	Receipts.	Net Charge.
	£.	£.	£.
1871-72 to 1873-74 - -	582,000	81,000	551,000
1874-75 to 1876-77 - -	665,000	39,000	626,000
1877-78 to 1880-81 - -	674,000	45,000	629,000
10 years - - - -	644,000	39,000	605,000
1881-82 to 1883-84 - -	701,000	46,000	655,000

Minute of 11
August, para. 27.
Appendix II., paras.
180 to 182.

Of the increase about 12,000 *l.* is nominal, owing to the treatment of the cost of maintaining dispensaries, aided by Government, in the North-West Provinces, as an incorporated instead of an excluded local fund. In general, the

the addition to the net expenditure implies a greater number of hospitals and dispensaries, and is therefore not to be regretted. The special causes of increase are the establishment of a medical school at Hyderabad, in Sind, the reorganisation of the Grant Medical College, and opening of additional dispensaries in Bombay, enhanced charges for vaccination and dispensaries in the Punjab, and in Madras the opening of new hospitals and dispensaries, and the constitution of a reserve of civil and military subordinates.

43. *Political.*

		Expenditure.
Average of—		£.
1871-72 to 1873-74	- - - - -	358,000
1874-75 to 1876-77	- - - - -	447,000
1877-78 to 1880-81	- - - - -	470,000
10 years	- - - - -	429,000
1881-82 to 1883-84	- - - - -	534,000

As the Estimate for 1883-84 does not include the subsidy of 120,000 l. a year granted recently to the Amir of Afghanistan, the average of the last period should be raised to 574,000 l. a year. The great increase which has taken place in recent years began in 1880-81, with the Afghan War, and, unfortunately, much of it is of a permanent character. Apart from the subsidy just mentioned, the expenditure in 1883-84, as shown in the Budget, is very slightly in excess of that of 1879-80, and lower than in any other year since 1875-76.

Minute of 24 August, para. 38.
Minute of 11 August, paras. 28 and 29.
Appendix II., paras. 183 to 190.

44. *Scientific and other Minor Departments.*

		Expenditure.	Receipts.	Net Charge.
Average of—		£.	£.	£.
1871-72 to 1873-74	- - - - -	355,000	17,000	338,000
1874-75 to 1876-77	- - - - -	374,000	43,000	331,000
1877-78 to 1880-81	- - - - -	370,000	91,000	279,000
10 years	- - - - -	367,000	55,000	312,000
1881-82 to 1883-84	- - - - -	508,000	92,000	416,000

The large increase that has occurred under this heading is due to various causes. The census of 1880-81 cost 219,000 l., of which 189,000 l. (involving an average annual expenditure of 63,000 l.) fell in the last period. As a result of the recommendations of the Famine Commission, an increase of expenditure is entered in the estimates for the Meteorological Department, for Model Farms, and for Provincial Agricultural Departments, together raising the average by about 17,000 l. over the outlay in 1880-81. For Archaeology, the preservation of Monuments of Antiquity, Museums, and the Gazetteer and Statistical Memoirs, there is a further average increase of 17,000 l. Under the Survey of India an increase of 55,000 l. in the three years, or about 18,000 l. a year, arises partly from the reduced expenditure on this branch while its officers were detached for duty in Afghanistan, and partly from the very liberal estimate entered in the Budget of 1883-84. The expenditure under the head of Scientific and other Minor Departments shows a continued tendency to increase, and, while much of it is undoubtedly necessary, and perhaps none of it otherwise than desirable, it seems to require very careful supervision.

Minute of 24 August, paras. 53 and 54.
Minute of 11 August, paras. 21, and 60 to 62.
Appendix II., paras. 190a to 210

45. *Interest Receipts.*

		Receipts.
		£.
Average of—		
1871-72 to 1873-74	- - - - -	452,000
1874-75 to 1876-77	- - - - -	560,000
1877-78 to 1880-81	- - - - -	696,000
10 years	- - - - -	582,000
1881-82 to 1883-84	- - - - -	745,000

Appendix II., paras.
211 to 216.

The fluctuations which occur under this head are mainly due to the amount of premium obtained on the issue of the annual public loans for Productive Public Works, which is credited under this head. The receipts derived from Loans to Municipalities and Local Boards may be expected to fall off as the loans are gradually repaid. The receipts in 1883-84 in England are likely to exceed the Estimate, owing to the unexpectedly large remittances from India in the early part of the year; but Sir Evelyn Baring is not quite accurate in stating, in the 216th paragraph of the Minute which forms Appendix II. to the Letter No. 234, that the interest arising from the investment of the sum remitted home on account of the Commissioners for the Reduction of Debt at the close of 1882-83 "will be brought to credit in 1883-84." The only amount so credited will be a sum of about 3,900 *l.* obtained from the temporary use of the money before it was invested, and the effect of the permanent investment will be to *reduce the payments* for Interest on Debt, to which I have referred in the eighth paragraph of this Despatch.

46. *Territorial and Political Pensions.*

		Expenditure.
		£.
Average of—		
1871-72 to 1873-74	- - - - -	911,000
1874-75 to 1876-77	- - - - -	824,000
1877-78 to 1880-81	- - - - -	752,000
10 years	- - - - -	821,000
1881-82 to 1883-84	- - - - -	704,000

Minute of 11
August, paras. 18
and 20.
Appendix II., paras.
217 to 220.

The charge has been considerably reduced, and would have been more so, but for a temporary advance to Maharajah Dhuleep Singh. The transfer from the Remittance Account of an annual payment to the Nawab Nazim, to which Sir Evelyn Baring refers in para. 220 of Appendix II., though affecting the amounts paid in India and England respectively, does not alter the total charge.

47. *Civil Furlough Allowances.*

		Expenditure.
		£.
Average of—		
1871-72 to 1873-74	- - - - -	196,000
1874-75 to 1876-77	- - - - -	228,000
1877-78 to 1880-81	- - - - -	227,000
10 years	- - - - -	218,000
1881-82 to 1883-84	- - - - -	222,000

Appendix II., paras.
221 and 222.

The charge according to the estimates, which are liberal, is rather less than on the average of the years since 1873-74, when there was a large increase under this head.

48. *Superannuation.*

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	Expenditure.	Receipts.	Net Charge.
Average of—	£.	£.	£.
1871-72 to 1873-74 - -	1,518,000	659,000	859,000
1874-75 to 1876-77 - -	1,840,000	689,000	1,151,000
1877-78 to 1880-81 - -	2,057,000	528,000	1,529,000
10 years - - - -	1,830,000	615,000	1,215,000
1881-82 to 1883-84 - -	2,173,000	314,000	1,859,000

In the 25th paragraph of my Despatch of the 28th of June last, I referred to several matters which had involved an increase of the net charge for superannuation, and Sir Evelyn Baring cites some other points for consideration. The alteration of system when the Government took over the Civil Annuity Funds in 1873-74, while largely increasing the charge under Superannuation, led to a reduction of that under Interest by about 200,000 *l.*, and under General Administration and other service heads by a further sum of 60,000 *l.* a year. The reduction of the Public Works Establishment in 1879-80 was estimated to result in a saving of salaries to the amount of 247,500 *l.* a year, against which have to be set an additional pension charge of about 140,000 *l.* a year, and a payment of about 320,000 *l.* in gratuities. In 1881-82 an exceptional payment of 90,000 *l.* was made to members withdrawing from the Bengal Medical Retiring Fund. A saving of 50,000 *l.* a year in the Customs Establishment has been effected, at a cost of 12,000 *l.* a year in pensions, and of gratuities to the amount of 25,000 *l.* The transfer to the head of Superannuation of the pensions granted to Officers of the Indian Navy and Bengal Pilot Service, and the removal therefrom of certain military pensions, have caused a net increase under Superannuation of about 25,000 *l.* a year. The abolition of the Provident branch of the Bombay Civil Fund has increased this charge by about 5,000 *l.*, while reducing the expenditure under interest on Deposits by 38,000 *l.*

Letter No. 233, paras. 32 to 34. Minute of 24 August, para. 12. Minute of 11 August, para. 10. Appendix II., paras. 8, and 223 to 237.

49. On the whole, Sir Evelyn Baring comes to the conclusion that the true increase of Civil Superannuation since 1877-78 has been about 181,000 *l.* a year, against which must be set the saving in salaries for the Public Works and Customs Departments; and, therefore, while recognising the necessity for carefully watching this head of expenditure, he considers that its growth is by no means so serious as would at first sight appear.

50. *Stationery and Printing.*

	Expenditure.	Net Cost of Stores in England, included under General Administration.	Receipts.	Net Charge.
Average of—	£.	£.	£.	£.
1871-72 to 1873-74 - -	238,000	96,000	35,000	299,000
1874-75 to 1876-77 - -	326,000	129,000	53,000	402,000
1877-78 to 1880-81 - -	454,000	- - -	50,000	404,000
10 years - - - -	350,000	68,000	46,000	372,000
1881-82 to 1883-84 - -	508,000	- - -	58,000	450,000

In para. 28 I mentioned that the cost of stationery stores purchased in England from 1871-72 to 1875-76 should be omitted from the heading of General Administration, as they are now included under Stationery and Printing. It is therefore necessary, for the sake of comparison, to take them into consideration

Appendix II., paras. 104, and 238 to 241.

sideration in dealing with this heading. Since 1873-74 there has been a very large increase of the net charge. In 1881-82 it was exceptionally heavy, owing to large purchases of stock, and to the work of the census. Considering the rapidly extending work in connection with the Post Office Savings Banks, Money Orders, and Railways, Sir Evelyn Baring anticipates that the charge will continue to grow heavier.

51. *Miscellaneous.*

	Expenditure,	Receipts, less Refunds,	Net Charge.	Net Receipt.
Average of—	£.	£.	£.	£.
1871-72 to 1873-74 -	627,000	670,000	- - -	43,000
1874-75 to 1876-77 -	567,000	564,000	3,000	—
1877-78 to 1880-81 -	326,000	400,000	- - -	74,000
10 years - - -	489,000	530,000	- - -	41,000
1881-82 to 1883-84 -	365,000	330,000	35,000	—

Appendix II., paras. 242 to 245.

The receipts under this head from 1877-78 to 1880-81 were abnormally increased (to the average amount of 91,000 l.) by the credit in 1880-81 of the transfer from the Nizam Stipend Fund and the proceeds of the sale of land in London. The net charge shows a slight increase in recent years.

52. *Famine Relief and Insurance.*

	Famine Relief.	Protective Works.	Reduction of Debt.	TOTAL.
Average of—	£.	£.	£.	£.
1871-72 to 1873-74 -	1,288,000	- - -	- - -	1,288,000
1874-75 to 1876-77 -	1,663,000	- - -	- - -	1,663,000
1877-78 to 1880-81 -	1,449,000	- - -	- - -	1,449,000
10 years - - -	1,465,000	- - -	- - -	1,465,000
1881-82 to 1883-84 -	24,316	750,000	725,684	1,500,000

Letter No. 233, para. 7.
Minute of 24 August, para. 5.
Minute of 11 August, paras. 66, 69, 71, and 74.
Mr. Barbour's Note, paras. 2, and 9 to 14.
Appendix II., paras. 246 and 247.

The expenditure before 1881-82 was exclusively on the actual relief of famine. In the subsequent period the amount so spent averaged only 24,316 l.; the amount allotted to the construction of railways and canals calculated to protect the country against famine was 750,000 l. a year; and the balance of the 1,500,000 l. annually granted under this head, averaging 725,684 l., has been devoted to the reduction of debt.

53. *Productive Public Works, Revenue Account.*—The figures have been re-arranged by the Comptroller General in such a manner as to include under each class of works the charge for interest on the capital outlay expended thereon.

	Net Expenditure.					Net Revenue.	Total Net Charge.
	Railways.	Irrigation and Navigation.	Miscellaneous Public Improvements.	Total State Works.	Guaranteed Railways.	East Indian Railway.	
Average of—	£.	£.	£.	£.	£.	£.	£.
1871-72 to 1873-74 -	115,000	132,000	- -	247,000	1,764,000	200,000	1,811,000
1874-75 to 1876-77 -	329,000	304,000	- -	633,000	926,000	420,000	1,139,000
1877-78 to 1880-81 -	611,000	— 8,000	9,000	612,000	516,000	852,000	276,000
10 years - - -	378,000	128,000	4,000	510,000	1,014,000	526,000	993,000
1881-82 to 1883-84 -	205,000	—78,000	20,000	152,000	242,000	1,096,000	—702,000

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The improvement has been very marked, the net expenditure of 1,811,000 *l.* in the first period having been converted into a net receipt of 702,000 *l.* in the last, the total gain of 2,513,000 *l.* being produced as follows:—

Minute of 24 August, paras. 13 and 33.
Minute of 11 August, paras. 57, 42 to 44, 49, 58, 68, 69, and 71.
Appendix II., paras. 1, and 248 to 268.

Improvement of Guaranteed Railways	- - -	£.	1,522,000
„ East Indian Railway	- - -		896,000
„ State Works:		£.	
Irrigation	- 205,000		
Less increased charge:		£.	
Railways	- - - 90,000		
Madras Harbour	- - - 20,000		
		110,000	
			95,000
		£.	2,513,000

The improvement in the Irrigation revenue is largely due to the credit of the portion of land revenue attributable to the British works, which was not shown in the Accounts till 1879-80, with the exception of a partial entry in 1878-79. The sums appearing in 1879-80 and 1880-81 were abnormally large, owing to the receipt of arrears on assigned lands, and an excessive credit in Madras.

54. Compared with the four years from 1877-78 to 1880-81, the average result of the last three years shows an improvement under all headings except that of the Madras Harbour, namely,—

Guaranteed Railways	- - - -	£.	274,000
East Indian Railway	- - - -		244,000
State Works: Irrigation	- - - -	65,000	
Railways	- - - -	406,000	
		471,000	
Less Madras Harbour	- - - -	-11,000	
			460,000
		£.	978,000

55. Sir Evelyn Baring remarks that the net charge on the State Works is now less than one-third per cent. on the total capital outlay, even taking the very moderate estimates of the railway receipts for 1882-83 and 1883-84. For the present year the percentage of charge on the State Railways is estimated as only 44 per cent. on the capital outlay, and that on the Guaranteed Railways at 50, while the receipt under Irrigation and Navigation is 13 per cent. on the capital expenditure.

56. *Public Works not classed as Productive.*—In the 22nd paragraph of my Despatch of the 28th of June, I referred especially to the great increase of expenditure, chiefly from the Provincial balances, on Public Works not classed as Productive; and your reply fully confirms the view that it is in this direction that the desired reduction is to be sought.

Letter No. 233, paras. 26 to 29, and 36 to 47.
Minute of 24 August, paras. 56 to 117.
Minute of 11 August, paras. 7, 33, 34, and 71.
Mr. Barbour's Note, paras. 2 and 3.

57. *State Railways, Capital Account.*

		Expenditure
Average of—		£.
1871-72 to 1873-74	- - - -	16,000
1874-75 to 1876-77	- - - -	66,000
1877-78 to 1880-81	- - - -	210,000
10 years	- - - -	109,000
1881-82 to 1883-84	- - - -	399,000

Minute of 24 August, paras. 60 to 62, and 94 to 99.
Minute of 11 August, para. 33.
Appendix II., paras. 269 to 279.

Of the outlay in the last period, 90,000 *l.* on the average is for Imperial Railways, and the remainder for Provincial lines, of which nearly the whole will be completed by the end of this year.

Appendix II., paras. 280 to 291.

58. *State Railways, Working and Maintenance.*—The account of the working and maintenance of the few open railways which are not classed as Productive Works only began in 1882-83, the estimate for which year shows a net expenditure of 24,000 *l.*, which in the present year's Estimate is converted into a surplus of 7,000 *l.* The principal of these lines are works for military purposes, but the heading includes others which are expected to be fairly remunerative.

Minute of 24 August, paras. 9, 100, and 101.
Minute of 11 August, para. 34.
Appendix II., paras. 292 to 299.

59. *Subsidized Railways* (including the Southern Mahratta Line).—This heading was only opened in 1881-82, for which year the net charge was 15,000 *l.*; in 1882-83 it is estimated at 100,000 *l.*, and in 1883-84 at 175,000 *l.* Nearly half of the expenditure is for the purchase of land for the railways that are being constructed by private agency; 118,000 *l.* is for interest payable to the shareholders of the Southern Mahratta Railway Company, and the remainder is for advances of interest, which are to be repaid at some future date from the surplus profits of the lines.

Letter No. 233, para. 70.
Minute of 24 August, para. 8.
Appendix II., paras. 300 and 301.

60. *Frontier Railways.*—The bulk of this expenditure occurred in 1879-80 and 1880-81, in which two years the charge amounted to 3,628,000 *l.* In 1881-82, and the two following years, it will only amount, according to the Estimates, to 574,000 *l.*, and after 1883-84 it will cease altogether, or be reduced to a very small amount.

61. *Irrigation and Navigation.*

	Expenditure.	Receipts.	Net Charge.
Average of—	£.	£.	£.
1871-72 to 1873-74 - -	565,000	130,000	435,000
1874-75 to 1876-77 - -	685,000	162,000	523,000
1877-78 to 1880-81 - -	692,000	182,000	510,000
10 years - - - -	652,000	160,000	492,000
1881-82 to 1883-84 - -	838,000	135,000	703,000

Minute of 24 August, paras. 63 to 92, and 110 to 117.
Minute of 11 August, paras. 13 and 33.
Appendix II., paras. 302 to 311.

The great increase in the last period mainly arises from large outlay on embankments in Bengal, on the Orissa Coast Canal, and on minor works in Madras, while the removal of the Eastern Jumna Canal to the class of Productive Works has reduced the receipts, and thereby enhanced the net charge.

62. *Military Works.*

	Expenditure.	Receipts.	Net Charge.
Average of—	£.	£.	£.
1871-72 to 1873-74 - -	1,089,000	11,000	1,078,000
1874-75 to 1876-77 - -	1,242,000	24,000	1,218,000
1877-78 to 1880-81 - -	1,070,000	38,000	1,032,000
10 years - - - -	1,127,000	26,000	1,101,000
1881-82 to 1883-84 - -	1,023,000	44,000	979,000

Minute of 11 August, para. 71.
Appendix II., paras. 312 and 313.

Until 1876-77 the receipts are not capable of being fully separated from those for Civil Works, and hence the net charge is stated rather higher than the reality in the first two periods. Since 1880-81 it has been the practice to make an annual grant of 1,000,000 *l.* for expenditure on military works, the unexpended balance being re-allotted in the following year as a general rule, although this was not permitted in 1882-83 owing to the pressure of the Egyptian War.

63. *Civil Buildings, Roads, and Services.*

Average of—	Expenditure.	Receipts.	Net Charge.
	£.	£.	£.
1871-72 to 1873-74 - - -	3,132,000	549,000	2,983,000
1874-75 to 1876-77 - - -	3,397,000	515,000	2,882,000
1877-78 to 1880-81 - - -	3,119,000	555,000	2,564,000
10 years - - - - -	3,327,000	542,000	2,785,000
1881-82 to 1883-84 - - -	4,256,000	499,000	3,757,000

From 1877-78 to 1880 81 the net expenditure was, in consequence of the pressure of the Afghan War lower by 368,000 *l.* than on the average of the previous six years, and during this period of reduced outlay the provincial and local balances considerably increased. In the last period those balances are being very freely spent, and I am glad to receive the assurance given by Sir Evelyn Baring that this class of expenditure will certainly be largely reduced in 1884-85.

Letter No. 233, paras. 42, 43, and 70. Minute of 24 August, paras. 63 to 92, and 102 to 109. Appendix II., paras. 1, and 314 to 323.

64. The outlay from Imperial funds has, however, also been much enhanced, the figures for the three years 1881-82 to 1883-84 being on the average higher by 116,000 *l.* a year than in 1880-81. This is due to the construction of new Government offices at Calcutta and Simla, and quarters for clerks at the latter station, expenditure which Sir Evelyn Baring says was essential and not liable to recur, but which may to some extent be looked upon as an investment, seeing that their completion will render it unnecessary to rent buildings for the purpose. This item also is likely to be greatly reduced in 1884-85.

65. *Army.*

Average of—	Ordinary.			War.
	Expenditure.	Receipts.	Net Charge.	Net Charge.
	£.	£.	£.	£.
1871-72 to 1873-74 - - -	15,470,000	954,000	14,516,000	—
1874-75 to 1876-77 - - -	15,492,000	987,000	14,505,000	—
1877-78 to 1880-81 - - -	16,836,000	949,000	15,887,000	3,209,000
10 years - - - - -	16,023,000	962,000	15,061,000	1,284,000
1881-82 to 1883-84 - - -	16,484,000	1,005,000	15,479,000	—73,000

According to the Comptroller General's Estimate, the ordinary gross expenditure in 1881-82 included about 660,000 *l.* properly attributable to the Afghan War. Allowing for this, the average net ordinary charge in the last period will be reduced to 15,259,000 *l.*, or at least 600,000 *l.* less than was incurred annually from 1877-78 to 1880-81.

Letter No. 233 paras. 7, 12, 30, and 31. Minute of 24 August, paras. 12, 15, and 41. Minute of 11 August, paras. 17, 32, 47, 65, 71, and 74. Appendix II., paras. 324 and 325

66. *Exchange.*

Average of—	Net Expenditure.
	£.
1871-72 to 1873-74 - - -	670,000
1874-75 to 1876-77 - - -	1,400,000
1877-78 to 1880-81 - - -	2,606,000
10 years - - - - -	1,664,000
1881-82 to 1883-84 - - -	3,407,000

Letter No. 233,
 Para. 7.
 Minute of 24
 August, para. 6.
 Minute of 11
 August, para. 67.
 Appendix II., paras.
 326 and 327.

The amount to be provided under this head in the final period is more than double the average of the preceding 10 years, and exceeds by 800,000 *l.* the average of the four years from 1877-78 to 1880-81. The amount of the charge in any particular year depends on the extent of the Government remittances from India, as well as on the sterling value of the rupee.

67. In closing this detailed examination of the accounts of the last 13 years, it is only necessary for me to repeat the view expressed in the final paragraph of my Despatch of the 28th of June last, of the necessity of sparing no effort in checking the growth of expenditure; and I learn with satisfaction that your Government foresees a large reduction in the next year, and that you are taking steps to secure the regulation by the Local Governments of their expenditure, so as to maintain the proper relation between income and charge, and not to reduce their balances below the fixed minimum amount.

68. I take this opportunity of transmitting, for the information of your Government, a copy of a statement recently compiled in this office, from which your Excellency will readily perceive the various causes which have led to an increase in the Home Disbursements since the years 1856-57.

I have, &c.
Kimberley.

STATEMENT showing NET DISBURSEMENTS in *England* in the Year 1856-57, and in each of the Years from 1860-61 to 1882-83 inclusive, classified under several HEADS; and the Mode in which those DISBURSEMENTS were provided for.

Enclosure in No. 9.

STATEMENT showing NET DISBURSEMENTS in *England* in the Year
classified under several HEADS, and the Mode in

	1856-57. (a.)	1860-61.	1881-02.	1862-63.
<i>Net Disbursements.</i>	£.	£.	£.	£.
1. Interest on Debt - - - - -	889,547	1,852,374	2,134,305	2,195,494
2. Stores for India - - - - -	1,027,116	1,291,459	1,120,886	696,800
3. Home Charges for Service of British Forces in India -	295,000	1,455,961	1,334,042	915,077
4. Passage of Troops to and from India - - - - -	45,927	365,813	149,022	139,758
5. Furlough Allowances of Indian Officers - - - - -	234,108	208,275	299,017	266,960
6. Pensions and Annuities of Retired Indian Officers (b) -	920,016	908,319	938,808	1,130,450
7. Miscellaneous Pensions - - - - -	299,964	381,762	402,302	478,214
8. Indian Provident Funds - - - - -	369,243	444,270	458,006	451,751
9. Remittance Transactions not included under other heads	74,279	257,570	197,294	276,408
10. Home Administration - - - - -	192,159	175,676	185,326	171,921
11. Miscellaneous - - - - -	62,940	328,530	135,203	153,308
12. Cost of Bullion shipped to India - - - - -	-	364,497	735,005	-
Purchase of Railway and Irrigation Companies' Under- takings:				
13. Calcutta and South-Eastern Railway - - - - -	-	-	-	-
14. East India Irrigation and Canal Company - - - - -	-	-	-	-
15. Madras Irrigation and Canal Company - - - - -	-	-	-	-
16. Guaranteed and other Companies - - - - -	-	-	-	-
17. Debt Discharged - - - - -	-	-	-	1,756,200
18. Balance Increased - - - - -	-	-	3,080,640	-
	4,430,299	8,124,506	11,169,865	8,632,431
<i>Ways and Means by which the Disbursements were met.</i>				
19. Bills of Exchange and Telegraphic Transfers on India drawn in London.	2,819,716	797	1,193,729	6,641,576
20. Bills of Exchange on India drawn in China - - - - -	127,173	-	-	-
21. Bills of Exchange on London purchased in India - - -	-	-	120,000	-
22. Bullion Remittances from India:—Gold - - - - -	-	-	-	-
23. " " " Silver - - - - -	-	-	-	-
Repayments by the Imperial Government in respect of the Expeditions to:—				
24. China - - - - -	-	917,601	945,461	242,400
25. Abyssinia (c) - - - - -	-	-	-	-
26. The Mediterranean - - - - -	-	-	-	-
27. Afghanistan - - - - -	-	-	-	-
28. Egypt - - - - -	-	-	-	-
29. Net Receipts from Guaranteed and other Companies -	1,093,806	1,954,672	5,216,888	1,263,653
30. " " Southern Mahratta Railway Company - - - - -	-	-	-	-
31. Debt Incurred - - - - -	-	3,708,405	3,603,787	-
32. Balance Decreased - - - - -	389,610	1,543,031	-	484,802
	4,430,299	8,124,506	11,169,865	8,632,431

(a) The year immediately preceding that of the Indian Mutiny.
(b) Including gratuities and capital payments in lieu of pensions.

A REDUCTION OF THE EXPENDITURE OF INDIA.

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Enclosure in No. 9.

1856-57, and in each of the Years from 1860-61 to 1882-83 inclusive, which those DISBURSEMENTS were provided for.

1863-64.	1864-65.	1865-66.	1866-67. (11 Months)	1867-68.	1868-69.	1869-70.	1870-71.	
£. 2,079,633	£. 1,925,121	£. 1,950,952	£. 1,970,774	£. 2,147,838	£. 2,159,247	£. 2,210,033	£. 2,350,551	1
405,521	712,717	1,281,540	1,157,378	1,148,276	1,630,972	1,674,242	1,575,876	2.
584,209	1,029,362	849,494	891,612	965,732	852,459	947,375	898,827	3.
174,137	178,264	456,603	846,147	578,815	435,703	284,668	311,652	4.
236,156	238,916	278,474	299,787	338,779	381,556	563,556	646,282	5.
1,117,144	1,088,559	1,086,375	1,062,714	1,075,227	1,065,129	1,065,446	1,059,830	6.
526,559	371,655	372,523	319,376	393,410	289,340	442,811	377,945	7.
473,881	477,677	516,299	434,134	518,062	563,631	603,290	619,066	8.
116,448	155,433	234,234	242,714	532,522	663,514	500,710	589,837	9.
172,405	171,463	181,824	189,017	199,973	209,001	213,288	216,094	10.
447,083	150,645	178,552	272,045	188,736	415,713	214,858	410,708	11.
-	-	-	-	-	-	-	-	12.
-	-	-	-	-	332,152	500	11,067	13.
-	-	-	-	-	14,000	1,043,698	-	14.
-	-	-	-	-	-	-	-	15.
-	784,544	1,722,097	236,251	-	-	2,241,381	2,084,054	16.
5,527,500	186,500	-	-	-	-	-	-	17.
-	-	-	1,279,999	-	192,972	-	413,489	18.
11,860,676	7,470,856	9,108,967	9,201,948	8,087,370	9,205,429	12,005,856	11,566,178	
8,979,521	6,789,473	6,998,898	5,613,746	4,137,285	3,705,741	6,980,122	8,443,509	19.
-	-	-	64,000	119,750	-	-	-	20.
-	-	-	-	-	-	-	-	21.
-	-	159,858	221,634	-	-	-	-	22.
-	-	-	660,668	-	-	-	571,193	23.
-	-	-	-	-	-	-	-	24.
-	-	-	-	34,552	4,288,332	1,354,124	127,620	25.
-	-	-	-	-	-	-	-	26.
-	-	-	-	-	-	-	-	27.
-	-	-	-	-	-	-	-	28.
2,228,519	-	-	-	1,366,106	179,717	-	-	29.
-	-	-	-	-	-	-	-	30.
-	-	854,100	2,641,900	1,163,907	1,031,639	3,538,112	2,423,856	31.
652,636	681,383	1,096,111	-	1,265,770	-	193,498	-	32.
11,860,676	7,470,856	9,108,967	9,201,948	8,087,370	9,205,429	12,005,856	11,566,178	

(c) The sums shown under this head are the amounts received from the Imperial Government in excess of the Disbursements made in England on this account.

CORRESPONDENCE RELATING TO

STATEMENT showing Net Disbursements in *England* in the Year 1856-57, and in each of the

	1871-72.	1872-73.	1873-74.	1874-75.
<i>Net Disbursements.</i>	£.	£.	£.	£.
1. Interest on Debt - - - - -	2,438,063	2,464,287	2,433,119	2,178,136
2. Stores for India - - - - -	1,413,997	1,553,488	2,457,295	2,786,389
3. Home Charges for Service of British Forces in India -	1,071,689	1,031,409	861,371	820,630
4. Passage of Troops to and from India - - - - -	271,374	329,395	381,506	292,860
5. Furlough Allowances of Indian Officers - - - - -	612,212	580,139	574,317	480,151
6. Pensions and Annuities of Retired India Officers (a) -	1,047,517	1,069,170	1,142,345	1,320,826
7. Miscellaneous Pensions (b) - - - - -	341,208	367,684	397,546	328,345
8. Indian Provident Funds - - - - -	658,147	660,714	671,307	691,145
9. Remittance Transactions not included under other heads	566,063	395,078	463,618	306,514
10. Home Administration - - - - -	205,958	205,058	206,179	208,934
11. Miscellaneous - - - - -	225,874	411,146	237,841	123,588
12. Cost of Bullion shipped to India - - - - -	-	-	-	-
Purchase of Railway and Irrigation Companies' Undertakings :-				
13. Calcutta and South-Eastern Railway - - - - -	-	-	-	83,800
14. East India Irrigation and Canal Company - - - - -	-	-	-	-
15. Madras Irrigation and Canal Company - - - - -	-	-	-	-
16. Guaranteed and other Companies (d) - - - - -	3,350,631	5,147,871	4,573,978	5,441,403
17. Debt Discharged - - - - -	-	-	-	-
18. Balance Increased - - - - -	-	177,353	-	782,732
	12,203,626	14,392,786	14,340,421	15,911,453
<i>Ways and Means by which the Disbursements were met.</i>				
19. Bills of Exchange and Telegraphic Transfers on India drawn in London.	10,310,339	13,939,095	13,285,078	10,841,614
20. Bills of Exchange on India drawn in China - - - - -	-	-	-	-
21. Bills of Exchange on London purchased in India - - -	-	403,040	-	-
22. Bullion Remittances from India :-Gold - - - - -	-	-	-	-
23. " " Silver - - - - -	-	-	-	-
Repayments by the Imperial Government in respect of the Expeditions to :-				
24. China - - - - -	-	-	-	-
25. Abyssinia (c) - - - - -	-	50,651	51,470	-
26. The Mediterranean - - - - -	-	-	-	-
27. Afghanistan - - - - -	-	-	-	-
28. Egypt - - - - -	-	-	-	-
29. Net Receipts from Guaranteed and other Companies (d)	-	-	-	-
30. " " Southern Mahratta Railway Company - - - - -	-	-	-	-
31. Debt Incurred - - - - -	1,408,406	-	18,458	5,300,830
32. Balance Decreased - - - - -	484,881	-	984,806	-
	12,203,626	14,392,786	14,340,421	15,911,453

(a) Including gratuities and capital payments in lieu of pensions.

(b) Including payments in capitalisation of pensions.

(c) The sums shown under this head are the amounts received from the Imperial Government in excess of the Disbursements made in England on this account.

(d) Exclusive of the Southern Mahratta Railway Company, the net receipt from which Company in 1882-83 is shown separately.

A REDUCTION OF THE EXPENDITURE OF INDIA.

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Years from 1860-61 to 1882-83 inclusive, classified under several Heads, &c.—*continued.*

1875-76.	1876-77.	1877-78.	1878-79.	1879-80.	1880-81.	1881-82.	1882-83. (e)	
£.	£.	£.	£.	£.	£.	£.	£.	
2,158,349	2,299,802	2,490,881	2,590,557	2,586,929	2,339,488	2,509,719	2,478,522	1.
2,504,027	2,415,517	2,768,486	1,892,217	2,150,379	2,511,299	1,918,418	1,668,429	2.
804,734	918,878	1,289,933	1,364,700	1,386,922	1,409,748	1,344,235	1,340,383	3.
266,734	317,152	223,846	325,518	320,651	302,317	309,397	284,626	4.
482,447	508,646	512,169	483,371	435,153	456,202	500,515	451,985	5.
1,337,082	1,541,580	1,583,722	1,694,043	1,824,501	1,858,342	1,879,000	1,888,309	6.
341,827	394,641	403,860	280,884	320,677	286,545	283,312	278,370	7.
713,501	736,547	727,620	771,146	765,695	803,387	790,635	800,436	8.
586,147	779,411	610,691	691,624	428,926	342,285	502,475	403,280	9.
217,369	225,953	214,286	221,088	216,208	223,116	218,322	227,993	10.
202,748	239,783	286,922	228,437	222,652	210,478	151,846	246,246	11.
—	—	—	—	—	—	—	—	12.
4,250	—	—	—	—	—	—	—	13.
—	—	—	—	—	—	—	—	14.
—	—	—	—	—	—	—	1,404,077	15.
5,866,171	6,239,989	4,998,430	5,664,804	5,271,738	5,903,119	6,239,589	5,631,522	16.
—	—	—	—	716,144	—	3,848,473	—	17.
—	1,794,068	—	41,268	1,152,182	1,857,642	—	(f) 803,485	18.
15,486,286	18,411,967	16,110,906	16,249,687	17,798,757	18,503,868	20,495,936	17,912,703	
12,989,613	12,695,799	10,184,455	13,948,565	15,261,810	15,239,677	18,412,429	(g) 15,120,521	19.
—	—	—	—	—	—	76,667	192,500	20.
—	—	—	1,516,193	—	—	—	—	21.
—	—	—	—	486,947	—	—	—	22.
—	—	—	—	—	—	—	—	23.
—	—	—	—	—	—	—	—	24.
13,903	—	—	15,122	—	—	—	—	25.
—	—	—	400,000	50,000	—	—	—	26.
—	—	—	—	2,000,000	500,000	500,000	500,000	27.
—	—	—	—	—	—	—	500,000	28.
—	—	—	—	—	—	—	—	29.
—	—	—	—	—	—	—	1,593,653	30.
1,206,299	5,716,168	4,339,141	369,807	—	2,764,191	—	6,029	31.
1,876,471	—	1,637,310	—	—	—	1,506,840	—	32.
15,486,286	18,411,967	16,110,906	16,249,687	17,798,757	18,503,868	20,495,936	17,912,703	

(e) The figures in respect of the year 1882-83 have been derived from the "Estimated Account" for that year, presented to Parliament in May 1883.

(f) Owing to the remittance to this country of 1,001,393 L to be applied to the reduction of Home Debt.

(g) Including 1,001,393 L received on account of the Commission for the Reduction of Debt, referred to in the previous note.

FURTHER PARTICULARS regarding some of

	1856-57.	1860-61.	1861-62.	1862-63.
1. Interest on Debt :				
Interest on Loans contracted in England	£ 155,494	£ 1,132,626	£ 1,426,008	£ 1,486,916
Dividends to proprietors of East India Stock	627,893	629,968	636,047	629,970
Interest on the Indian Transfer Loan of 22nd April 1854.	78,273	86,981	76,711	77,249
Interest on Indian Debt paid by bills on London	27,887	2,799	1,539	1,363
	889,547	1,852,374	2,134,305	2,195,494
2. Stores for India :				
Charged in England against Revenue	1,027,116 (a)	1,291,459	1,120,886	696,800
For Productive Public Works				
Treated as Remittance transactions				
	1,027,116	1,291,459	1,120,886	696,800
3. Home Charges for service of British Forces in India :				
Effective	250,000	1,395,961 (c)	1,104,042 (d)	682,077
Non-effective	45,000 (b)	60,000	230,000	233,000
Absorption of supernumerary Commissions in British Regiments.	-	-	-	-
	295,000	1,455,961	1,334,042	915,077
4. Passage of Troops to and from India : (h)				
Indian Troop Service	45,927	365,813	149,022	139,758
Otherwise than in Troop Ships	-	-	-	-
	45,927	365,813	149,022	139,758
5. Furlough Allowances of Indian Officers :				
Military	158,028	213,023	199,620	172,938
Civil Service	61,237	71,408	80,261	72,884
Uncovenanted Service	5,315	5,836	7,711	7,507
Indian Navy and Bengal Pilot Service	9,528	8,008	11,425	13,641
	234,108	298,275	299,017	267,000
6. Pensions and Annuities of Retired Indian Officers : (j)				
Military—Retired Pay and Pensions	629,305	634,853	663,663	794,433
„ Gratuities equal to the value of Commissions.	-	-	-	-
Civil Service—Annuities	287,699	244,070	248,619	252,133
Uncovenanted Service—Pensions	-	-	-	-
„ „ Gratuities in lieu of Pensions.	-	-	-	-
Indian Navy and Bengal Pilot Service—Pensions	23,012	29,396	26,526	29,588
Indian Navy—Commutation of Pensions	-	-	-	54,296
	920,016	908,319	938,808	1,130,450
7. Miscellaneous Pensions : (j)				
(Including those for Distinguished Services, of Judges of the High Courts in India, of Officers of the Home Establishment, of widows and Families of Indian Officers granted by Government, Compassionate Pensions, &c.)				
Civil (k)	205,825	257,671	249,530	242,969
Military (k)	89,247	91,213	127,782	103,778
Territorial and Political (l)	10,892	32,878	25,000	131,467
	299,964	381,762	402,302	478,214

2. Stores for India.—(z.) The sum charged against revenue for stores in the year 1856-57 was 1,016,728 l. :- being 955,345 l., invoice value of stores consigned to India during the year; 2,725 l., the value of arms taken to India by Her Majesty's regiments; and 58,658 l., part of 61,839 l., the cost of coals and various expenses connected with steam communication.

3. Home Charges for service of British Forces in India.—Under this head it may be well to observe that the following payments in connection with the Indian Local Army are included under the head of "Miscellaneous," viz, Recruiting Charges, in 1856-57, 65,420 l.; in 1860-61, 71,222 l.; and in 1861-62, 23,372 l., the Military College at Addiscombe, in 1856-57, 7,104 l.; in 1860-61, 6,071 l.; and in 1861-62, 11,014 l.—(b.) The sum of 45,000 l. paid during the year 1856-57 for Non-Effective Charges was in respect of three-quarters of a year only, at the rate of 60,000 l. a year, under Act 4 Geo. 4. c. 71.—(c.) The sum paid in 1860-61 for Effective Charges included 419,533 l. on account of balances in respect of years to 1859-59 inclusive, and 400,000 l. on account of 1859-60.—(d.) The payment of a capitation rate calculated on the number of effectives of Her Majesty's British Forces serving in India, at the rate of 10 l. a man a year for Effective, and of 3 l. 10 s. a man a year for Non-Effective Charges, in commutation of the War Office claims on that account, came into operation from the 1st April 1861, and continued until the 31st March 1870. The sum paid for Effective Charges in 1861-62, however, included also 160,000 l. on account of 1859-60, and 150,000 l. on account of 1860-61.—(e.) From the payments made in 1863-64 on account of Effective Charges, amounting to 552,642 l., has been deducted a sum of 213,433 l., recovered from the War Office in that year in respect of Depot and Recruiting Charges, &c., of Her Majesty's regiments serving in India for the years 1855-56 to 1860-61.—(f.) The capitation rate having ceased on the 31st March 1870, it was agreed with the War Department that subsequent claims for Effective Charges should, as far as possible, be adjusted on the principle of actual charges.—(g.) With regard to Non-Effective Charges, it was agreed that from the 1st April 1870 the amount of Pensions granted in each year should be ascertained, and the proportion due to service in India be capitalised and paid from Indian Revenues, India being thereby relieved from all further claims by the Imperial Government on account of such Pensions.

A REDUCTION OF THE EXPENDITURE OF INDIA.

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the HEADS in the foregoing STATEMENT.

1863-64.	1864-65.	1865-66.	1866-67. (11 months.)	1867-68.	1868-69.	1869-70.	1870-71.
£. 1,372,599 629,970 75,834 1,230	£. 1,221,124 629,970 72,837 1,190	£. 1,249,765 629,970 70,025 1,192	£. 1,306,293 629,970 33,490 1,021	£. 1,452,490 629,970 64,351 1,027	£. 1,465,016 629,970 63,234 1,027	£. 1,516,378 629,970 62,658 1,027	£. 1,659,868 629,970 59,686 1,027
2,079,633	1,925,121	1,950,952	1,970,774	2,147,838	2,159,247	2,210,033	2,350,551
405,521	712,717	1,281,540	1,157,378	1,148,276	1,630,972	1,550,807 123,435	1,510,104 38,209 27,563
405,521	712,717	1,281,540	1,157,378	1,148,276	1,630,972	1,674,242	1,575,876
339,209 (e) 245,000	811,612 217,750	636,302 213,192	681,612 210,000	745,232 220,500	635,459 217,000	730,375 217,000	659,265 (f) 210,462 (g) 23,100
584,209	1,029,362	849,494	891,612	905,732	852,459	947,375	898,827
174,137	178,264	177,021 (i) 279,582	573,512 (j) 272,635	416,931 (k) 161,884	239,380 (l) 146,323	224,667 60,001	262,541 49,111
174,137	178,264	456,603	846,147	578,815	435,703	284,668	311,652
161,410 59,688 12,404 2,654	169,413 53,788 14,233 1,482	199,032 58,992 18,594 1,856	218,075 58,900 20,405 1,807	237,940 76,468 22,691 1,680	257,065 93,486 28,975 2,076	402,885 123,033 34,385 2,753	469,014 136,855 38,212 2,201
236,156	238,916	278,474	299,737	338,779	381,596	563,556	646,282
768,072	775,209	761,021	747,263	750,806	766,952 6,400	759,867 6,750	754,347 12,975
262,666 1,559	251,451 6,372 517	254,623 10,145 3,535	246,837 14,070 240	245,894 19,794	213,139 24,616 1,400	211,611 23,377 676	202,897 27,771 5,360
53,951 30,896	54,069 941	56,743 308	53,725 580	52,910 5,823	52,317 285	52,240 5,925	51,663 4,817
1,117,144	1,088,559	1,086,375	1,062,714	1,075,227	1,065,129	1,065,446	1,059,830
238,147 151,971 136,441	223,296 127,759 20,600	220,443 125,498 26,587	193,476 91,583 34,317	205,873 164,822 22,715	197,297 55,065 36,978	199,741 206,280 36,790	189,994 133,322 54,629
526,559	371,655	372,523	319,376	393,410	289,340	442,811	377,945

4. Passage of Troops to and from India.—(h.) The sums on this account included above show the manner in which the payments in England have been increased in consequence of the introduction of the Indian Troop Service. While comparatively small payments are now made in India on this account, under the former system the payments were nearly equally divided between the two countries.—(i.) The payments on account of the Indian Troop Service include the following sums on account of the construction of the Troop Ships: in 1865-66, 177,021 £; in 1866-67, 569,626 £; in 1867-68, 272,203 £; and in 1868-69, 13,176 £.

6 and 7. Pensions and Annuities of Retired Indian Officers—Miscellaneous Pensions.—(j.) The Pensions have been divided into these two heads, in order that under the former head may be readily seen the effect produced on the Home payments by recent Retirement Schemes.

7. Miscellaneous Pensions.—(k.) These Pensions have been classified as Civil and Military, accordingly as they have been charged in the Accounts of the respective years. Under the head of Military have been included the sums paid to the representatives of Lord Clive under an order of the Master of the Rolls dated 2nd August 1867, viz., 23,079 £. in 1867-68, and sums in each subsequent year varying from 1,940 £. in 1868-69 to 1,232 £. in 1882-83. The variations in the sums paid under the head of Military Pensions in each year mainly arise, however, from the adjustments in respect of Pensions paid in the Colonies, and by British Staff Officers of Pensioners, having been made at irregular intervals.—(l.) Territorial and Political. The sums shown under this head from 1856-57 to 1870-71 include, in addition to the stipend of the Maharajah Dulsep Singh, the following payments made to him, viz., in 1860-61, 9,000 £; in 1862-63, 105,000 £; in 1863-64, 110,000 £; in 1866-67, 14,415 £; in 1868-69, 13,585 £; and the following sums paid on account of the Nawab Nazim of Bengal and his sons, viz., in 1865-66, 5,987 £; in 1866-67, 1,150 £; in 1867-68, 2,336 £; in 1868-69, 3,692 £; in 1869-70, 17,454 £; and in 1870-71, 35,293 £.

FURTHER Particulars regarding some of

	1871-72.	1872-73.	1873-74.	1874-75.
1. Interest on Debt.	£.	£.	£.	£.
Interest on Loans contracted in England (a) - - -	1,749,743	1,781,656	1,752,683	1,943,488
Dividends to proprietors of East India Stock - - -	629,970	629,970	629,970	198,484
Interest on the Indian Transfer Loan of 22nd April 1854	57,323	55,279	51,644	48,575
Interest on Indian Debt paid by bills on London - - -	1,027	210	-	-
	2,438,063	2,467,115	2,434,297	2,190,547
<i>Deduct</i> —Interest remaining unclaimed for 10 years, repaid by the Bank of England, Bank of Ireland, &c.	-	2,828	1,179	12,411
	2,438,063	2,464,287	2,433,118	2,178,136
2. Stores for India :				
Charged in England against Revenue - - - - -	1,208,520	1,144,110	1,150,535	1,595,878
For Productive Public Works - - - - -	111,021	296,933	1,002,059	1,040,056
Treated as Remittance transactions - - - - -	84,456	110,439	298,701	150,455
	1,413,997	1,553,488	2,457,295	2,786,389
3. Home Charges for service of British Forces in India :				
Effective - - - - -	591,715	659,774	567,321	510,779
Non-Effective - - - - -	457,224 (b)	321,148	280,000	308,501
Absorption of supernumerary Commissions in British Regiments.	22,750	50,487	14,050	1,350
	1,071,689	1,031,409	861,371	820,630
4. Passage of Troops to and from India :				
Indian Troop Service - - - - -	253,003	304,539	368,464	283,090
Otherwise than in Troop Ships - - - - -	18,371	24,856	13,042	9,770
	271,374	329,395	381,506	292,860
5. Furlough Allowances of Indian Officers :				
Military - - - - -	437,778	423,127	409,032	377,083
Civil Service - - - - -	130,781	113,453	104,103	67,795
Uncovenanted Service - - - - -	42,247	42,606	60,705	59,093
Indian Navy and Bengal Pilot Service - - - - -	1,406	947	477	675
	612,212	560,133	574,317	496,161
6. Pensions and Annuities of Retired Indian Officers : (i)				
Military—Retired Pay and Pensions - - - - -	750,575	765,004	816,597	635,169
” Capitalised value of Annuities - - - - -	-	-	-	147,040
” Gratuities equal to the value of Commissions	8,925	8,475	8,300	9,888
Civil Service—Annuities - - - - -	201,592	208,032	222,270	238,983
Uncovenanted Service—Pensions - - - - -	32,095	36,572	39,788	38,549
” Gratuities in lieu of Pensions - - - - -	2,391	613	1,812	48
Indian Navy and Bengal Pilot Service—Pensions	49,965	49,675	48,659	50,751
Indian Navy—Commutation of Pensions - - - - -	1,972	599	4,919	398
	1,047,517	1,069,170	1,142,345	1,320,826
7. Miscellaneous Pensions : (i)				
{Including those for Distinguished Services, of Judges of the High Courts in India, of Officers of the Home Establishment, of widows and families of Indian Officers granted by Government, Compassionate Pensions, &c.)				
Civil - - - - -	186,802	212,776	133,342	169,847
Military - - - - -	133,331	134,477	133,168	133,462
” Capitalised value of Pensions (i) - - - - -	-	-	-	-
Territorial and Political (m) - - - - -	21,070	20,431	21,036	25,036
	341,203	367,684	337,546	328,345

1. Interest on Debt.—(a.) This is exclusive of the Interest on Debt incurred in respect of the East Indian Railway, which is included among the disbursements recorded under that Railway on page 215.

2. Home Charges for service of British Forces in India. Non-Effective.—(b.) The sum paid on this account in 1871-72 included 215,225 £., being the balance certified by the Actuaries as payable for the year 1870-71.—(c.) The actual charge for 1876-77 proved to be 765,977 £., but the amount paid in the year was only 363,330 £., which included a balance of 68,330 £. owing for 1873-74.—(d.) The actual charge for 1877-78 was 730,756 £. The sum paid in the year was 648,841 £., of which 148,841 £. was the balance owing for 1874-75.—(e.) The actual charge for 1878-79 was 855,949 £. The amount paid in the year was 650,000 £., of which 100,000 £. was an account of arrears owing for 1875-76.—(f.) The actual charge for 1879-80 was 886,142 £. The sum paid in the year was 643,085 £., of which 93,085 £. was the balance owing for 1875-76.—(g.) The charge for 1880-81 will probably amount to 928,000 £.—(h.) It is estimated that the charge for each of the years 1881-82 and 1882-83 will amount to 900,000 £.

3 and 7. Pensions and Annuities of Retired Indian Officers. Miscellaneous Pensions.—(i.) The Pensions have been divided into these two heads, in order that under the former head may be readily seen the effect produced on the Home payments by recent Retirement Schemes.

A REDUCTION OF THE EXPENDITURE OF INDIA.

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the Heads in the foregoing Statement—*continued.*

1875-76.	1876-77.	1877-78.	1878-79.	1879-80.	1880-81.	1881-82.	1882-83.
£. 2,115,052 - 45,803 —	£. 2,271,982 13 44,968 —	£. 2,447,607 - 44,675 —	£. 2,547,852 588 44,674 —	£. 2,544,201 260 44,674 —	£. 2,295,700 - 45,518 —	£. 2,466,865 269 44,794 —	£. 2,435,694 15 45,498 —
2,160,855 2,506	2,316,969 17,161	2,492,282 1,401	2,598,112 2,525	2,589,185 2,206	2,341,218 1,830	2,511,928 2,209	2,481,147 2,625
2,158,349	2,299,802	2,490,881	2,590,587	2,586,929	2,339,388	2,509,719	2,478,522
1,544,643 736,631 223,653	1,544,097 608,468 262,052	1,513,823 1,137,665 116,998	1,090,289 682,505 119,423	1,446,591 580,700 173,088	1,732,087 557,269 221,943	1,332,468 427,774 158,176	1,082,765 361,101 224,563
2,504,927	2,415,517	2,768,486	1,892,217	2,150,379	2,511,299	1,918,418	1,668,429
454,284 350,000 - 450	550,548 368,330(c)	641,092 648,841(d)	714,700 650,000(e)	743,837 643,085(f)	759,748 650,000(g)	615,017 729,218(h)	609,153 731,230(h)
804,734	918,878	1,289,933	1,364,700	1,386,922	1,409,748	1,344,235	1,340,383
248,890 17,844	304,437 12,715	219,543 4,303	311,441 14,077	312,005 8,646	292,052 10,265	303,162 6,235	279,555 5,071
266,734	317,152	223,846	325,518	320,651	302,317	309,397	284,626
315,301 106,951 59,618 577	335,224 96,514 75,949 959	334,051 91,309 85,728 1,081	312,731 96,887 72,831 922	275,442 89,303 67,349 3,059	293,496 100,068 60,792 1,846	331,953 102,521 64,539 1,502	291,696 92,047 66,081 2,161
482,447	508,646	512,169	483,371	435,153	456,202	500,515	451,986
906,339 75,775 1,800 261,484 40,884 1,197 47,997 1,006	983,488 123,006 913 344,101(j) 40,763 1,129 45,600 2,580	1,031,541 83,982 - 373,300(j) 43,999 1,433 43,074 1,453	1,107,650 98,224 850 391,769 48,802 3,911 42,720 117	1,182,418 141,732 1,213 404,293 51,952 3,897 38,996 -	1,245,711 78,908 - 408,102 79,061 6,500 40,060 -	1,304,484 59,566 - 404,140 72,963 2,687 35,160 -	1,360,535 7,969 - 409,230 71,886 3,668 34,911 -
1,337,082	1,541,580	1,583,782	1,694,043	1,824,501	1,858,342	1,879,000	1,888,399
177,310 123,497 - 41,020	160,645 98,737 100,000 35,259	161,876 114,917 100,000 27,267	162,681 77,934 - 40,269	160,949 83,239 44,224 27,265	168,076 82,868 - 35,601	141,252(k) 110,795(k) - 31,265	128,946(k) 118,159(k) - 31,265
341,827	394,641	403,860	280,884	320,677	286,545	283,312	278,370

6. Pensions and Annuities of Retired Indian Officers.—(j.) The large increase in the sum paid on account of Civil Service Annuities in 1876-77 and 1877-78 arose from the payments in this country of Annuities, amounting to nearly 100,000 £, which had been previously paid in India.

7. Miscellaneous Pensions.—(k.) The increase in the Military and the decrease in the Civil Pensions in the years 1881-82 and 1882-83 are consequent on the transfer of some Pensions from the head of Civil to that of Military, in accordance with the Despatch to India, dated 23rd November 1882, No. 374 (Financial), paragraph 3. See also note on page 209 regarding the Pensions classified under the e heads.—(l.) Capitalised value of Pensions. Payments to the Imperial Government on account of the capitalised value from 1st April 1874 of the proportion chargeable to Indian Revenues of the Pensions granted, between 18th February 1861 and 31st March 1870, to soldiers transferred from the Indian Local Army to the British Army.—(m.) Territorial and Political. The sums shown under this head from 1871-72 to 1882-83 include, in addition to the stipend of the Maharajah Duleep Singh, the following payments made to him, viz., in 1878-79, 13,000 £, and in 1880-81, 3,836 £; and the following sums paid on account of the Nawab Nazim of Bengal and his sons, viz., in 1871-72, 1,734 £; in 1872-73, 1,095 £; in 1873-74, 1,700 £; in 1874-75, 5,700 £; in 1875-76, 21,684 £; in 1876-77, 14,192 £; in 1877-78, 6,200 £; in 1878-79, 6,204 £; in 1879-80, 6,200 £; in 1880-81, 10,700 £; in 1881-82, 10,200 £; and in 1882-83, 10,200 £.

CORRESPONDENCE RELATING TO

FURTHER Particulars regarding some of

	1856-57.	1860-61.	1861-62.	1862-63.
8. Indian Provident Funds (to which the officers subscribed):	£.	£.	£.	£.
Civil - - - - -	69,000	89,000	92,700	98,500
Military, Medical, and Indian Navy - - -	300,248	355,270	365,906	353,251
	369,248	444,270	458,006	451,751
9. Remittance transactions not included under other heads:				
Disbursements - - - - -	151,630	394,109	326,008	403,074
Receipts - - - - -	77,951	136,539	128,712	126,666
	74,279	257,570	197,294	276,408
10. Home Administration:				
Salaries of the Home Establishment - - -	136,177	126,807	117,169	117,724
Auditor and assistants, under Act 21 & 22 Vict. c. 106, s. 52. - - - - -	-	908	1,413	2,197
Store Department: wages of labourers, &c. (a) - - - - -	9,361	9,311	14,039	13,758
Law Charges - - - - -	19,517 (b)	6,877	5,807	2,652
Bank of England, &c., for management of debt - - - - -	-	4,844	12,076	10,205
East India Company for expenses in respect of their capital stock and dividends. - - - - -	-	2,032	3,240	3,040
Postage of despatches to and from India - - -	4,139	4,430	5,168	3,454
Telegrams, mainly telegrams to India - - -	-	152	2,057 (c)	475
Office contingencies - - - - -	20,409	20,593	21,056	15,139
	189,603	175,452	182,019	169,344
Stationery, printing, and bookbinding - - -	3,798	5,437	4,305	3,287
	193,398	180,889	186,324	172,631
Deduct,—Receipts - - - - -	1,237	5,213 (d)	998	710
	192,159	175,676	185,326	171,921
11. Miscellaneous:				
Disbursements - - - - -	250,673	392,017	337,015	330,196
Receipts - - - - -	167,733	63,487	201,812	176,798
	82,940	328,530	135,203	153,398
16 Guaranteed Companies:				
& 29. Payments out of Capital - - - - -	1,782,888	2,464,809	1,717,474	1,877,013
Receipts on account of Capital - - - - -	3,372,733	5,899,402	8,720,025	5,306,835
	1,589,845	3,434,593	7,002,551	3,429,822
Interest - - - - -	496,039	1,479,921	1,785,863	2,166,169
	1,093,866	1,954,672	5,216,888	1,263,653
17 Debt incurred or discharged:				
& 31. Debt incurred - - - - -	-	4,794,200	4,920,900	-
Premium realised - - - - -	-	-	74,487	-
Discount allowed - - - - -	-	129,595	-	-
	-	4,664,605	4,995,387	-
Debt discharged - - - - -	-	956,200	1,301,600	1,756,200
	-	3,708,405	3,693,787	1,756,200
18 Balance increased or decreased:				
& 32. Balance at the commencement of year - - -	3,431,554	4,196,094	2,653,063	5,733,712
Balance at the close of year - - - - -	3,041,944	2,653,063	5,733,712	5,248,910
	389,610	1,543,031	3,080,649	484,802

NOTE.—Sums printed in *italics* indicate net Receipts or Balance decreased.

10. Home Administration.—(a) The salaries of the superior officers of the Store Department are included among the "Salaries of the Home Establishment," the first item under this head.—(b) The sum of 19,517 £, for law charges in 1856-57, included 8,483 £. in respect of the "Nawab of Surat Treaty Bill," and 5,750 £. on account of legal proceedings for sustaining the validity of the will of the late D. O. Dyce Sombre.—(c) The sum paid for telegrams in 1861-62 was on account of messages, both to and from India, sent by the line of the Red Sea Telegraph Company during the years 1859 and 1860.—(d) The receipts in 1860-61 included 4,342 £, the proceeds of sales of waste paper, &c. on removing from the East India House.

A REDUCTION OF THE EXPENDITURE OF INDIA.

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the Heads in the foregoing Statement—continued.

1863-64.	1864-65.	1865-66.	1866-67. (11 Months)	1867-68.	1868-69.	1869-70.	1870-71
£.	£.	£.	£.	£.	£.	£.	£.
96,000	97,500	103,500	114,500	116,500	114,500	125,500	115,500
377,881	380,177	412,799	319,684	401,562	449,181	477,790	504,466
473,881	477,677	516,299	494,184	518,062	563,631	603,290	619,966
330,416	344,945	418,852	406,512	675,680	806,660	713,615	705,729
213,968	189,512	164,618	163,798	143,158	143,146	212,965	115,892
116,448	155,433	234,234	242,714	532,522	663,514	500,710	589,837
117,108	117,795	120,100	122,391	125,765	129,059	132,643	134,013
2,152	2,152	2,214	2,269	2,505	2,645	2,942	3,053
11,490	13,433	15,850	19,862	22,304	21,517	21,894	21,733
5,498	3,714	3,017	3,489	5,195	5,206	4,768	7,138
9,444	10,313	10,391	10,769	11,756	12,944	13,606	15,267
3,040	2,840	2,840	2,640	2,840	2,840	2,840	2,840
2,807	4,647	3,275	4,475	5,026	8,626	9,145	8,674
160	107	748	737	1,514	1,519	858	1,415
17,160	17,443	19,814	18,477	19,123	17,492	17,004	16,105
168,859	172,444	178,249	185,109	196,528	201,848	205,700	210,238
4,007	2,775	3,787	4,290	3,990	7,380	6,214	7,097
172,866	175,219	182,036	189,399	200,518	209,223	213,914	217,335
461	3,756	212	382	545	227	626	1,241
172,405	171,463	181,824	189,017	199,973	209,001	213,288	216,094
616,292(e)	329,377	278,769	372,211	341,660	519,270(f)	318,878	493,175(g)
199,209	172,732	100,217	100,166	152,924	103,557	104,020	82,467
447,083	156,645	178,552	272,045	188,736	415,713	214,858	410,708
1,481,612	2,046,180	3,025,152	4,019,571	4,611,809	2,414,591	3,202,300	5,361,418
6,167,206	3,948,503	4,200,904	6,826,998	9,472,232	6,502,505	5,088,825	7,630,077
4,685,594	1,902,325	1,175,752	2,807,427	4,860,423	4,087,914	1,886,525	2,268,659
2,457,075	2,686,869	2,897,849	3,043,673	3,494,317	3,908,197	4,127,906	4,352,713
2,223,519	784,544	1,722,097	236,251	1,366,106	179,717	2,241,381	2,084,054
2,441,000	-	850,000	2,682,600	1,159,000	1,503,000	4,000,000	2,410,000
-	-	32,800	49,300	5,407	31,139	39,412	13,856
2,441,000	-	882,800	2,731,900	1,164,407	1,534,139	4,039,412	2,423,856
7,968,500	186,500	28,700	90,000	500	502,500	501,300	-
5,527,500	186,500	854,100	2,641,900	1,163,907	1,031,639	3,538,112	2,423,856
5,248,910	4,596,274	3,914,891	2,318,780	4,098,779	2,833,009	3,025,981	2,892,483
4,596,274	3,914,891	2,318,780	4,098,779	2,833,009	3,025,981	2,892,483	3,305,972
652,636	681,383	1,096,111	1,279,999	1,265,770	192,972	133,498	413,489

11. Miscellaneous.—The following are exceptional payments included under this head, viz., (e.) in 1863-64, 339,666 £ on account of the construction of the Indo-European Telegraph; (f.) in 1868-69, 151,671 £ on account of the Indo-European Telegraph, and 107,831 £ for payments under postal arrangement with the Lords of Her Majesty's Treasury; and (g.) in 1870-71, 132,783 £ for payments under postal arrangement with the Lords of Her Majesty's Treasury, against 29,300 £ on that account in 1869-70, and 30,724 £ in 1871-72.

FURTHER Particulars regarding some of

	1871-72.	1872-73.	1873-74.	1874-75.
8. Indian Provident Funds (to which the Officers subscribed):	£.	£.	£.	£.
Civil - - - - -	137,500	134,500	138,500	139,500
Military, Medical, and Indian Navy - - - - -	520,647	526,568	534,599	552,289
Indian Service Family Pensions - - - - -	-	354	1,792	644
	658,147	660,714	671,207	691,145
9. Remittance transactions not included under other heads:				
Disbursements - - - - -	667,236	553,246	638,540	506,367
Receipts - - - - -	100,273	158,168	174,922	139,859
	566,963	395,078	463,618	366,514
10. Home Administration:				
Salaries of the Home Establishment - - - - -	131,495	130,053	131,621	133,273
Auditor and assistants, under Ac 21 & 22 Vict. c. 106, s 52.	2,734	3,603	3,855	4,146
Store Department: wages of labourers &c. (a) - - - - -	19,110	17,239	20,287	21,259
Law Charges - - - - -	2,610	2,503	2,825	2,377
Bank of England, &c., for management of debt - - - - -	15,885	15,230	15,097	19,400
East India Company for expenses in respect of their capital stock and dividends.	2,840	2,840	2,840	1,766
Postage of despatches to and from India - - - - -	7,908	8,333	9,463	8,433
Telegrams, mainly telegrams to India - - - - -	2,197	2,721	1,902	1,777
Office contingencies - - - - -	14,907	14,825	13,785	12,028
	199,686	197,347	201,675	204,459
Stationery, printing, and bookbinding - - - - -	6,801	8,713	5,155	6,226
	206,487	206,062	206,830	210,685
Deduct, Receipts - - - - -	531	1,004	651	1,751
	205,956	205,058	206,179	208,934
11. Miscellaneous:				
Disbursements - - - - -	348,373	530,684(c)	368,687	350,630
Receipts - - - - -	122,499	119,538	130,846	227,042
	225,874	411,146	237,841	123,588
16. Guaranteed and other Companies:				
29. Guaranteed and Subsidised Companies:				
Payments out of Capital - - - - -	2,540,118	1,494,391	1,270,283	1,571,348
Receipts on account of Capital - - - - -	3,735,723	965,769	1,327,836	789,700
	1,195,605	528,622	57,553	781,648
Interest - - - - -	4,546,236	4,619,249	4,631,531	4,659,755
	3,350,631	5,147,871	4,573,978	5,441,403
East Indian Railway:				
Annuity, interest, &c. - - - - -	-	-	-	-
Advances for purchase of stores, &c. - - - - -	-	-	-	-
	3,350,631	5,147,871	4,573,978	5,441,403
17. Debt incurred or discharged:				
31. Debt incurred - - - - -	1,390,000	-	1,024,000	5,001,000
Premium realised - - - - -	23,406	-	13,458	69,839
Discount allowed - - - - -	-	-	-	-
	1,413,406	-	1,037,458	5,070,839
Debt discharged - - - - -	5,000	-	1,019,000	1,000
	1,408,406	-	18,458	5,069,839
18. Balance increased or decreased:				
32. Balance at the commencement of year - - - - -	3,305,972	2,821,091	2,998,444	2,013,638
Balance at the close of year - - - - -	2,821,091	2,998,444	2,013,638	2,796,370
	484,881	177,353	984,806	782,732

NOTE.—Sums printed in *italics* indicate net Receipts or Balance decreased.

10. Home Administration.—(a). The salaries of the superior Officers of the Store Department are included among the "Salaries of the Home Establishment," the first item under this head.—(b). The sum paid for management of debt in 1880-81 included 8,600 £. for expenses attending the discharge, or conversion into India 4¹/₂% Stock, of 17,260,000 £ India 5¹/₂% Stock, at the rate of 500 £. a million.

Indra Office,
1 June 1883. }

A REDUCTION OF THE EXPENDITURE OF INDIA.

215

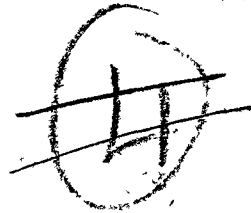
the Heads in the foregoing Statement—*continued*.

1875-76.	1876-77.	1877-78.	1878-79.	1879-80.	1880-81.	1881-82.	1882-83.
£. 151,000 563,402 904	£. 160,500 576,985 938	£. 162,500 505,343 223	£. 168,000 603,439 293	£. 171,500 594,479 284	£. 201,000 602,195 192	£. 190,000 600,371 261	£. 185,853 613,983 600
713,501	736,547	727,620	771,146	765,695	803,387	790,635	800,436
682,630 96,483	921,022 141,611	720,497 109,806	785,995 94,371	573,554 144,628	642,614 300,329	748,948 246,473	586,030 177,800
586,147	779,411	610,691	691,621	428,926	342,285	502,475	408,230
136,859 4,410 25,177 2,343 18,385	134,907 4,651 25,443 2,520 20,888	134,208 4,708 24,848 873 20,984	137,030 4,830 23,290 820 20,556	136,080 4,729 23,440 1,455 21,938	132,238 5,077 24,635 1,073 32,190 (b)	133,852 5,245 24,627 1,402 27,764	136,627 5,434 25,498 1,340 28,174
6,382 3,466 13,274	10,688 4,766 15,091	4,984 4,990 13,705	8,740 4,981 15,498	5,625 4,487 12,501	4,901 7,283 12,240	4,405 4,253 12,500	3,908 7,718 12,689
210,301 8,708	218,954 8,485	209,300 6,900	215,804 7,312	210,255 8,802	219,637 5,078	214,048 6,474	221,386 8,834
219,009 1,640	227,439 1,486	216,200 1,914	223,116 2,028	219,057 2,849	224,715 1,599	220,522 2,200	230,220 2,227
217,369	225,953	214,286	221,088	216,208	223,116	218,322	227,993
317,740 114,992	338,818 99,035	437,827 (d) 150,905	354,288 125,851	355,300 132,648	411,807 (e) 201,329	397,137 245,291	420,055 (f) 173,809
202,748	239,783	286,922	228,437	222,652	210,478	151,846	246,246
2,897,078 1,686,903	2,442,933 889,695	2,590,191 2,277,235	1,799,344 873,799	1,279,463 821,907	978,155 239,583	1,449,445 596,916	1,406,885 1,102,237
1,210,175 4,653,996	1,553,238 4,686,751	312,956 4,685,474	925,545 4,739,259	457,556 4,752,462	738,572 3,304,487	852,529 2,319,097	304,648 3,308,146
5,866,171	6,239,989	4,998,430	5,634,804	5,210,018	4,043,059	4,171,626	3,612,794
- -	- -	- -	- -	34,397 27,323	1,337,167 522,893	1,592,298 475,665	1,564,827 453,901
5,866,171	6,239,989	4,998,430	5,664,804	5,271,738	5,903,119	6,239,589	5,631,522
1,200,000 6,299	6,100,000 116,168	4,280,000 59,141	3,726,584 17,723	1,870,000 23,356	5,037,244 171,858	1,869,347 492	6,250,000 12,814
1,206,299	6,216,168 500,000	4,339,141	3,744,307 3,374,500	1,893,356 2,609,500	5,209,102 2,444,911	1,868,855 5,717,328	6,262,814 6,256,785
1,206,299	5,716,168	4,339,141	367,807	716,144	2,764,191	3,848,473	6,029
2,796,370 919,899	919,899 2,713,967	2,713,967 1,076,657	1,076,657 1,117,925	1,117,925 2,270,107	2,270,107 4,127,749	4,127,749 6,220,909	2,620,909 3,424,394
4,876,471	1,794,068	1,637,310	41,268	1,152,182	1,857,642	1,506,840	803,485

11. Miscellaneous.—The following are exceptional payments included under this head, viz.—(c.) in 1872-73, 163,318 *l.*, the award by the Judicial Committee of the Privy Council to the representatives of the late D. O. Dyce Sombre; (d.) in 1877-78, 58,327 *l.*, payments in respect of Her Majesty's Establishments in China for three years; (e.) in 1880-81, 75,000 *l.*, payments in respect of Her Majesty's Establishments in China for five years; and (f.) in 1882-83, 58,448 *l.*, for Suez Canal Dues, Passages, &c., in connection with the Expedition to Egypt.

Thos. W. Keith,
Accountant General.

ROYAL COMMISSION ON THE ADMINISTRATION OF THE
EXPENDITURE OF INDIA.



SECTION I.



FINANCIAL MACHINERY OF THE
GOVERNMENT OF INDIA

I	Sir H. Waterford & Mr. Jacob	1-47
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III	Sir Oliver Newmarch	1-19
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Confidential.

INDIAN EXPENDITURE COMMISSION.

MINUTES OF EVIDENCE

TAKEN BEFORE THE

ROYAL COMMISSION

APPOINTED TO

INQUIRE INTO THE ADMINISTRATION AND MANAGEMENT OF THE MILITARY AND CIVIL EXPENDITURE INCURRED UNDER THE AUTHORITY OF THE SECRETARY OF STATE FOR INDIA IN COUNCIL, OR OF THE GOVERNMENT OF INDIA, AND THE APPORTIONMENT OF CHARGE BETWEEN THE GOVERNMENTS OF THE UNITED KINGDOM AND OF INDIA FOR PURPOSES IN WHICH BOTH ARE INTERESTED.

At the India Office, S.W.

FIRST DAY.

Tuesday, 5th November 1895.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN PRESIDING).

THE RIGHT HON. LEONARD COURTNEY, M.P.

FIELD MARSHALL SIR DONALD STEWART, Bart., G.C.B., G.C.S.I.

SIR WILLIAM WEDDERBURN, Bart., M.P.

SIR E. W. HAMILTON, K.C.B.

SIR RALPH KNOX, K.C.B.

SIR JAMES PEILE, K.C.S.I.

SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.

MR. T. R. BUCHANAN, M.P.

MR. G. L. RYDER, C.B.

MR. W. S. CAINE

MR. DADABHAI NAOROJI.

MR. COLIN G. CAMPBELL, Secretary.

SIR HENRY WATERFIELD, K.C.S.I., C.B., and MR. STEPHEN JACOB, C.S.I., called in and examined.

1. (*Chairman*) Sir Henry Waterfield, would you state to the Commission the post you hold at the India Office?—I am the Secretary in the Financial Department.

2 I think you have held that post for a considerable time?—Yes, since February 1879.

3. Mr. Jacob, would you tell the Commission the post you occupy in the Indian Government?—(*Mr. Jacob*) I am Comptroller and Auditor-General.

4. How long have you held that post?—I have served continuously since April 1890 as Comptroller and Auditor-General, except when acting as Financial Secretary.

5. And before that time, what post did you occupy?—I was Accountant-General.

6. That would be Accountant-General in one of the Provinces?—Yes.

7. In what province?—I have served in Bombay, and in the North-West Provinces, and in Bengal.

8. Sir Henry, you put in a paper on the system of accounts in India. We should like to hear from you a general description of the manner in which the financial administration is organised, but in the first place, would you give us the number and names of the Provincial Governments into which India is divided?—(*Sir Henry Waterfield.*) There are eight Provincial Governments. The Governors of Madras and Bombay in Council; the Lieutenant-Governors of Bengal, the North-West Provinces and Oudh, and the Punjab; and the Chief Commissioners of Burma, the Central Provinces, and Assam.

9. Is each of those Provincial Governments a separate centre of financial administration?—Yes.

10. Who are the chief officers entrusted with the financial administration of the Empire, first of all in

the Central Government, and secondly in the Provincial Governments?—Taking the Central Government, the Financial Member of the Council of the Governor-General, assisted by the Secretary to the Government of India in the Financial Department, and by the Comptroller-General. As regards the Provincial Governments, the head of the local government, or, in the case of Bombay and Madras, the Member of Council in charge of the Financial Department, with the assistance of the heads of the various branches, and with advice from the Accountants-General and Comptrollers.

11. I think there is a difference in the different Provincial Governments, is there not? When we speak of the Provincial Governments, for instance, the Governments of Madras and Bombay, the style is "the Governor in Council," is it not?—That is so.

12. Then in other provinces the Lieutenant-Governor is the chief officer, is he not?—The Lieutenant-Governor in the larger provinces, and the Chief Commissioner in the minor provinces.

13. Then, on this point I should like to ask you whether that implies any difference of authority possessed by the Provincial Government where, we will say, it is only a chief commissioner at the head, and a governor like that of Bombay, where there is a governor and council?—The chief commissioner is, in the province which he administers, the chief authority, in the same sense. In the cases of Madras and Bombay the governor acts with an executive council.

14. But the chief commissioner is as complete and supreme an authority within his province as the governor and council are within theirs?—Yes, only he is more under the control of the Government of India. In certain matters the Governor and Council of Madras and Bombay would have somewhat more independence, perhaps, in those provinces.

15. My question leads up to this, that the Government of India, the Central Government, would be anxious to give rather a larger financial discretion to, we will say, the Governments of Madras and Bombay, than they would to the governments where there is simply a chief commissioner in authority?—I am not sure that they would do so. I think that they would exercise their control equally in both cases.

16. Is the Financial Member of Council, practically, the finance member for India, and head of the Central Treasury?—Yes.

17. For how many years does he hold office?—Usually for five years.

18. Is his term renewed?—It has never been renewed for a period of five years, but it has been extended for one year.

19. Naturally, some questions which I shall put to you will have a reference to the financial administration to which many of us on this Commission have been accustomed and are versed in, namely, the English Administration; but in putting the questions from that point of view, I wish particularly to be understood that I am not by any means implying any superiority or instituting any comparison between our system here and the system in India. It is simply for our convenience and the better understanding of the difference between the two systems. In order to understand these powers of the financial member in Council, I should like to institute some comparison between him and the Chancellor of the Exchequer in England. You are aware that the Lord High Treasurer is nominally the officer responsible for the administration of financial affairs in England, and it is his duty in the first instance to collect and criticise the estimates for the public service of the year, to satisfy himself that the sums demanded are sufficient and not more than sufficient for the public needs, to submit the approved estimate to Parliament, and to propose also to Parliament such a scheme of taxation as will produce a revenue sufficient to meet the charge. In the second place it is his business to see that money is at all times ready to meet the demands of the Imperial Service at home and abroad. Lastly he has control over the public expenditure, and every executive measure increasing or tending to increase the public expenditure must have his previous approval?—Yes.

20. The office of the Lord High Treasurer has for the best part of two centuries been in commission, and the duties above described have devolved on the Commissioners for executing his office?—Yes.

21. The Chancellor of the Exchequer was in former times the next officer to the Lord High Treasurer on the receipt side of the Exchequer, and when the office of Lord High Treasurer was put into commission he was the second officer named in the commission when the First Lord was a peer. In that case the Treasury was represented by him in the House of Commons, and thus he came to be recognised as the Minister of Finance, and he is responsible for the special duties of the Treasury which I have named above?—Quite so.

22. Is the Financial Member of Council a finance minister with powers similar to those which I have described as exercised by the Chancellor of the Exchequer?—Yes, I think so.

23. The Chancellor of the Exchequer exercises these powers, subject of course to the overruling power of the Cabinet as a whole, and subject also in matters of minor difference between himself and his colleagues to appeal to the First Lord, who is usually the Prime Minister?—Yes.

24. As the Cabinet is the supreme authority here, I suppose the Governor-General in Council is the supreme authority in India?—That is so.

25. What would be the course in the event of a difference of opinion between the Financial Member of Council and one of his colleagues. Would an appeal lie to the Governor-General personally, or in matters of grave importance to the Governor-General in Council?—In the event of a difference of opinion the matter is discussed in Council, and is generally decided by a majority. If, however, the Financial Member and the Viceroy differ from the majority of the Council they can insist on a reference being made to the Secretary of State before the decision of the majority is carried into effect.

26. The Financial Member of Council, I gather from that, has not the power of making or causing an appeal to be made to the Secretary of State unless the Viceroy is in accordance with him?—No.

27. Has the Financial Member of Council any means by which he can make his voice known at home?—Yes; he can record a dissent, and unless it were a matter within the powers of the Governor-General in Council, he would then report to the Secretary of State the action that it was proposed to take, and send a copy of the Financial Member's dissent.

28. That is to say, the Financial Member of Council must make a formal remonstrance against the decision of the Viceroy in Council in order to get his views brought before the Secretary of State?—Yes, they must be recorded in writing.

29. I suppose that apart from such serious differences as that, a high officer in the position of Financial Member of Council is probably in confidential correspondence with officers at home?—No doubt he is constantly in private and confidential correspondence, but that would not come upon the records in any way.

30. Quite so, and of course would in no sense be recognised?—No.

31. You would hardly count that a means by which the Financial Member of Council could make his views known at home at all?—No; certainly not.

32. Has the Financial Member within your knowledge ever recorded his solitary dissent from the rest of the Council?—He has certainly recorded his dissent. Without examination I could not say whether it has been a solitary dissent, whether no other Member of Council has agreed with him on the occasion.

33. (*Mr. Courtney.*) On financial questions?—I am afraid I cannot answer without reference. I can recollect dissents, but those might not perhaps have been recorded on a matter that was purely financial.

34. (*Sir Andrew Scoble.*) May I ask whether, as far as you remember, those dissents have been on a question of general policy involving of course financial considerations?—I should think so; I should think that as a rule they have been on questions of general policy. If you would allow me, I would make a note to see whether to qualify that answer.

35. (*Chairman.*) You tell us, Sir Henry, that dissents have been made, and that you will give us some instances of those dissents where they have been made by the Financial Member of Council either with or without the assent of some of his colleagues. Have they been on questions turning practically on financial questions?—I think so.

36. In speaking of this power of the Financial Member of the Council, the power that he exercises of controlling the increase of expenditure, of course its exercise raises questions or may raise questions between himself and the principal departments of Government. That we may understand the machinery of Government, would you tell us what the principal departments are that would correspond to the Foreign Office and the Home Office and so on, here?—The Finance and Commerce Department, the Military Department, the Department, the Revenue Department, the Public Works Department, and the Legislative Department.

37. And the Foreign?—And the Foreign — “The Political” it is called in the India Office—which answers to our Foreign Office.

38. Under what head would education come? Under the Home?—Under the Home Department.

39. And I suppose the Revenue and Financial Departments are practically branches of the office over which the Financial Member of Council presides?—The Revenue Department especially takes the land revenue, which is not within the province of the Finance Department. Questions of what are called separate revenue, such as stamps, excise, and customs, are under the direct control of the Finance Department, but the Land Revenue and Forests are under the Revenue Department.

40. And to a certain extent independent of the Finance Minister?—Independent, except in the same sense that all departments involving expenditure have to obtain the sanction of the Finance Department for their expenditure as a matter of course.

41. (*Sir James Peile.*) You might convey the idea better by saying that it is the Revenue and Agricultural Department?—The Revenue and Agricultural Department is more correct.

42. That gives a more clear idea of it, does it not?—Yes.

43. (*Chairman*) Then I may take it from your answer that you think the powers of the Financial Member of Council very closely correspond with the powers exercised here by the Chancellor of the Exchequer, that his consent is necessary to every measure increasing or tending to increase the public expenditure in India?—Yes, as regards Imperial expenditure, subject to appeal to the Governor-General in Council in the manner which I have described. The Provincial Governments have the power, without reference to the Government of India, of increasing provincial expenditure, provided that it be met from provincial revenues.

44. And subject, I think, as we shall learn hereafter, when we are dealing with provincial revenues, to certain limits and to certain conditions which require the consent of the Central Government?—Yes, the Provincial Governments are subject, in regard to provincial expenditure, to the same restrictions as the Imperial Government has.

45. And on the subject of salary?—Yes, in all cases the Provincial Governments have no more power of increasing salaries than the Imperial Government has. An increase of salary beyond a certain amount requires the consent of the Secretary of State.

46. As head of the Central Treasury, has the Financial Member of Council any power of control over the expenditure of other departments corresponding to that of the Chancellor of the Exchequer? That is really only a development of the previous question.—Yes, no new imperial charge can be entered in the Budget, and no expenditure in excess of the amount entered in the Budget can be incurred, without the consent of the Financial Department, except in minor cases where the Provincial Governments and other departments of the Government of India at once meet such expenditure by reduction elsewhere, in which case such temporary increases are afterwards reported to the Financial Department. Perhaps I may here ask the Commission to accept the answers which I give to your questions as from myself and Mr. Jacob jointly.

47. You say those cases are confined to temporary increases?—Yes, to temporary increases.

48. Do you mean by temporary increases that they are only temporarily granted until the sanction of the Financial Minister is obtained?—(*Mr. Jacob.*) No, it means that they are absolutely temporary in their nature.

49. And the method of obtaining that consent is, I suppose, the same as we know here, viz, that the head of a department would report to the Finance Department and say that such and such an addition to his establishment is wanted, or such and such an extraordinary expenditure is desirable, and would ask the

Finance Department to agree?—(*Sir Henry Waterfield*) Speaking of the Imperial departments, that would be the case. In Provincial departments the application would come through the Local Government. I am not sure whether I made the word "department" understood. The Military Department must communicate to the Finance Department; but the Commissariat, which is one of the Army Departments would not write direct to the Finance Department, but can only apply to the Government of India through the Military Department.

50. There would only be communication between the Financial Department and the Military Sub-departments through the Central Military Office?—Yes.

51. What we should call the War Office?—Yes.

52. And, therefore, I gather from what you have been good enough to tell us, that, for instance, the Postmaster General could not increase the salaries of his officers or add to his establishments without first obtaining the concurrence of the Financial Member of Council?—No, the Post Office is directly under the Financial Department; and the Director-General of the Post Office cannot increase the salaries of the establishment without its authority, except in so far as there is always a sum granted in the budget for petty increases within the Director-General's power of sanction.

53. In England additional clerks cannot be added to the establishment of a Secretary of State without the sanction of the Chancellor of the Exchequer. That is an instance of a measure directly increasing expenditure. The sanction of the Chancellor of the Exchequer is also necessary to a change in the Education Code which may lead indirectly to a large demand on the Education Vote. Would the consent of the Financial Member of Council be necessary in analogous cases in India, or have the heads of branches of administration, such as the Commander-in-Chief, more independent power of incurring expenditure than similar officers here?—Any department that desires to include any new Imperial charge in the Budget, or to incur expenditure beyond what is authorised in the Budget, must have the authority of the Financial Department of the Government of India. The authority of the Secretary of State is also required, if it involves an increase of above 25,000 rupees a year in the case of an establishment or the creation of a new appointment on a salary of upwards of 3,000 rupees, or the raising of the pay of an existing appointment above 5,000 rupees a year. Even the Commander-in-Chief, to whom special powers are granted, can only make transfers, and cannot, without the concurrence of the Financial Department, exceed the provision in the Budget.

54. That refers to what I call direct increases of expenditure; but I was rather drawing your attention to what I may call indirect increases, that is to say, the passing of a measure which may not have any immediate effect upon the Budget, but which, when it is fully carried out, may have a very important financial effect—say a change in regulations under which an education grant may be obtained—it is uncertain at the moment how far that change will take effect, but if it does it will create an eventual increase of expenditure. In such a case as that in India would the consent of the Finance Department be required?—It certainly ought to be obtained, if it was not obtained, it would be simply through an oversight in not observing that the measure proposed would cause an increase of expenditure.

55. I do not want to touch at this present moment on the question of audit, but for fear I may forget it when I come there I will ask this, in case such an indirect charge were sanctioned, and became law, or came into practice without the assent of the Finance Minister being obtained, would the Comptroller and Auditor-General notice and report on that?—As soon as the expense was incurred, the auditing officer would report, and require proof that the sanction needed for it had been given.

56. He would report that there was an increase of expenditure, which had not been communicated to the Finance Minister, in consequence of such and such an order having been passed by the Home Office in dealing with education cases?—I am afraid my answer will have to go a little into the question of the manner in which the audit is enforced.

57. We had better then keep that till we reach the question of audit?—Yes.

58. (*Sir James Peile*) Would not any such expenditure come into the estimates and the Budget first of all?—If I understand the Chairman's question, it is the case of an order which does not necessarily say that any expenditure will be increased, but the indirect effect of which is to increase the expenditure. As soon as any such expense actually occurred, the audit officer would require that sanction be obtained for it, and the increase of expenditure, if it exceeded the powers of the Local Government, would thus come to notice.

59. They could not spend the money until it had been provided in the Budget?—They could not spend the money beyond what had been provided in the Budget.

60-1. (*Chairman*) The point which I was anxious to get from you, Sir Henry, is this— in instances of indirect expenditure, it is, of course, very often difficult beforehand to say that a measure involves expenditure, and there may be omissions in good faith in getting the necessary assent; but the principle is there, that if a department knows that the adoption of a certain measure would lead to the increase of expenditure, the rule of the service requires it to go to the Finance Department; and if it does not go, and if the Comptroller and Auditor-General afterwards observes that it has not gone, and that increase of expenditure has followed, he would call attention to the fact?—Certainly, that is so.

62. Here the highest officer in the State, if he incurs expenditure without the assent of the Treasury, is at once brought to book by the Comptroller and Auditor-General, an officer whose independence of the Executive Government is guaranteed by safeguards similar to those which guarantee the independence of a Judge. This officer has access to the books of the Departments, and he reports direct to the House of Commons every instance of expenditure for which the assent of the Treasury has not been obtained. Every such instance is carefully examined and judged by the Standing Committee of the House of Commons, to which the Public Accounts, and the Reports of the Auditor-General upon them, are annually referred. What is the analogous method in India, by which omissions to obtain the sanction of the Financial Minister are detected and brought to judgment?—The audit officer would disallow such cases of expenditure, and order the money to be repaid, or the requisite sanction to be produced. If this could not be done, the matter would be reported to the Government, and if necessary to the Secretary of State. Thus, any expenditure not authorised by the Budget must within a short time be brought to the notice of the Government of India in the Financial Department, while all excess over the Budget is duly noted in the Appropriation Reports of the several Accountants General and of the Comptroller and Auditor-General.

63. First of all, has the Comptroller and Auditor-General actual power of disallowance?—The audit officer, who is a much inferior officer to the Comptroller and Auditor-General would disallow it. Take the case of a salary that had been overpaid; he would at once draw the Treasury officer's attention to the fact, also that of the officer to whom this excess of salary had been paid, and in ordinary cases it would be refunded immediately, within the month.

64. But the fact is, that the Audit Department has the power of disallowance?—Certainly.

65. And the disallowance has to be removed by superior authority?—Yes.

66. I think you mentioned in certain cases that such disallowance might come before the Secretary of State; what is the authority in India that decides whether it shall or shall not come before the Secretary of State?—The Secretary of State has given special instructions, which are now carried out, under which the audit officer may require, if he is not satisfied that the due sanction has been obtained, that the matter shall be reported to the Secretary of State.

67. In such cases, do you mean by the auditing officer the Comptroller and Auditor-General?—The auditing officer is a clerk under the local Accountant-General, and in the first instance he would report to the Accountant-General, and that officer may require that the sanction of the Secretary of State shall be obtained to the apparent breach of audit rules.

68. Even an officer occupying so comparatively subordinate a position as the Accountant-General may require a reference to the Secretary of State?—Yes.

69. That power is not even confined to the Comptroller and Auditor-General?—No, it is not.

70. The next officer in what I may call the hierarchy, has also that power?—Yes, the highest audit officer in the particular province or department.

71. What are the duties of the Financial Secretary, and for how long a time is he appointed?—The Financial Secretary to the Government of India is the chief officer of the Financial Department, under the Financial Member of Council. It is his duty to submit the correspondence in complete form to the member of Council, and generally to see that financial regularity is preserved. He is a member of the Indian Civil (formerly covenanted) Service; he holds office during good behaviour, that is, till promotion or retirement.

72. Would he, in your opinion, correspond to the Secretary of the Treasury at home?—I think so, in a general way.

73. He would correspond to the chief permanent officer of the Treasury at home?—I think so.

74. What sort of an establishment is the Central Treasury, of what number of officers is it composed?—The Financial Secretary to the Government of India receives a salary of 4,000 rupees a month. He is assisted by a deputy secretary on 2,250 rupees, who usually takes the opium, excise, and stamps, and certain branches of expenditure; by an under secretary on 1,300 rupees a month, who takes the accounts, leave, pay, and pensions questions; and an assistant secretary on 1,750 to 2,000 rupees a month, who takes the customs, commerce, and statistics, mint and paper currency, and part of the public expenditure. I give the divisions of the work as I believe it is now carried out (it is, of course, a matter of regulation from time to time). There is a registrar on Rs. 700, six superintendents at salaries of Rs. 300 to Rs. 600, and 82 clerks at salaries of Rs. 20 to Rs. 300 a month.

75. And this is quite independent of the establishment which is under the Comptroller and Auditor-General?—Entirely.

76. What are the duties of the Comptroller-General, and for how long is he appointed?—For his duties as chief accountant and auditing officer I will read an extract of the note which I have put in.

“ Besides being the authority on all questions affecting classification and adjustment in the public accounts, the Comptroller-General compiles for the Government of India a complete monthly account of the receipts and expenditure of the whole Empire of India, from the accounts submitted to him by the civil accountants general and comptrollers, the accountants-general in the Military and Public Works Departments, and the Comptroller of the Post Office. But, before the complete accounts are ready, he reports (by telegraph, if necessary) to the Finance Department the approximate receipts and issues from treasuries, in detail of departments, on the 9th of the following month, and fuller details of the chief heads of civil revenue, and expenditure on the 16th of the following month. He also publishes on the 9th the approximate cash balances at the treasuries, of which a revised edition is published on the 16th on the receipt of more accurate information. On the 25th of every month he submits to the Government an estimate of the probable receipts and payments, and the cash balances of that month and the two following months. He makes, for comparison with the budget prepared in the Financial Department of the Government of India, an independent compilation of the estimates of the various accountants-general (civil, military, and public works), and submits it to that Department with his own estimate of the debt heads, interest, exchange, and ways and means, reviewing the other estimates with special reference to the state of the cash balances. At the end of the year he prepares the finance and revenue accounts for submission to Parliament, and draws up an Appropriation Report for the whole of India, including the Military and Public Works Departments, in which the variations of the actual revenue and expenditure from the estimates and from the actuals of the preceding year are explained. He also reviews the balances of the public accounts annually, and satisfies himself how far those represent the admitted assets and liabilities of the Government.

“ As Auditor-General, he, through his deputies, inspects and conducts a test audit of all offices of account, so as to satisfy the Government that the detailed audit conducted by the local and departmental account

offices is efficient, that the regulations and orders of the Government are duly enforced, and that the procedure in those offices is in accordance with the codes and suitable for the efficient performance of their duties."

The Comptroller-General is also responsible for the management of the Public Debt Office, and he is the Head Commissioner of Paper Currency. He must ordinarily be a member of the Indian Civil Service, and he holds office till promotion or retirement.

77. What did you say was his function with regard to the National Debt?—I said he is responsible for the management of the Public Debt Office.

78. Would that cover duties which are discharged here by the Bank of England, or would it simply be the executive duties connected with debt which must lie with the Government?—The Bank of Bengal is the agent for the discharge of the work, but it refers all questions involving any responsibility to the Comptroller-General at once, I believe.

(*Mr. Jacob.*) Yes, any questions involving the exercise of any discretion are referred to the Comptroller-General.

(*Sr Henry Waterfield.*) Perhaps I may also refer to the papers on Financial Control and Appropriation Audit which have been laid before the Commission.

79. That is the correspondence which followed the Committee of 1880?—Yes. In the letter dated 8th September 1882, there is there a summary given by the Government of India of the principal departments of work which remain to the Comptroller-General after the arrangements which they proposed should be carried into effect. They there divided them into 19 heads.—

- (1.) Appropriation audit.
- (2.) Control of personnel of Civil Account Department.
- (3.) Inspection of all offices of account.
4. Management of the Currency Department.
5. Compilation of the central accounts, both monthly and yearly
6. Compilation of estimates and comparison of current facts therewith.
7. Resource—that is, the providing of money both by increasing the balances as a whole, and by transferring them to the points where they are required.
8. Management of the Public Debt.
9. Accounts of district savings banks. (These are now merged in the Post Office Savings Banks.)
10. Adjustment of accounts of guaranteed railways.
11. Account with London, and probably also those with the colonies.
12. Management of the reserve treasuries and bank balances.
13. Central accounts and custody of securities held in trust by Government officers.
14. General direction of coinage and mint operations.
15. Verification of deposit advance and other debt balances.
16. Collection of mutual accounts of accounting officers.
17. Audit of such accounts as Administrator-General's and other law officers; emigration agencies of colonies, &c
18. The accounts of the Forest Department.
19. Examination of accounts of service funds. (This duty is now performed by the Comptroller of Indian Treasuries.)

80 This brings out a very important point to which the attention of the Commission should be called. The Comptroller General is, from the description of his duties which you have put before us, an important executive officer, and at the same time he is the chief auditor of all the expenditure of India?—That is so.

81 We may note here, I think, that the question considered both by the Secretary of State and the Government of India, after the discussions which took place in 1880, whether it was desirable that that mixture of functions which *prima facie* do not appear quite compatible, namely, the independent functions of an auditor and the naturally more or less dependent functions of an executive officer should continue; but on the whole the Government of India were satisfied with the arrangement as it stands, and though they were not opposed to the principle that the auditor ought to be a thoroughly independent officer, they demurred to a change of system on account of the expense that would be entailed?—That was the reason of their objection to the appointment of an Auditor-General to carry out annually in detail an administration audit of the whole of the accounts.

82-83. At the present moment it is only necessary to note that this took place. Now, putting aside for the moment the duties of the Comptroller and Auditor-General as an auditor, to what officer, as far as you know, in the English service, would you compare him?—In answering this question my difficulty is that I do not know the English system sufficiently. I think that he has duties which are discharged by one of the secretaries in the Treasury to a very great extent, as presiding over the accounts of the Empire. He occupies to a great extent the position of the Bank of England in the management of the debt.

84. And, I suppose, of the Controller of the National Debt Office?—Of the Controller of the National Debt Office. In the management of the balances, I doubt if there is any officer in England to whom he can be compared. He has the responsibility of seeing that all over India there is a sufficient balance at the 200 or 300 treasuries where money is required.

85. The post here which most nearly corresponds to that office is apparently the post held by Sir Edward Hamilton. Of course, I am speaking of a permanent officer under the Chancellor of the Exchequer. The officer who holds Sir Edward Hamilton's place is distinctly responsible to the Chancellor of the Exchequer in respect to the movement of funds?—Yes; but I meant rather as to the number of treasuries. I should suppose that in England—in the United Kingdom—they were very much fewer.

86. But as far as it goes, the comparison is correct?—Yes, as far as it goes.

87. He is responsible for the movement of funds, because a chief officer of the Treasury naturally has to see that the moneys in the Treasury are sufficient for the demands upon it?—Yes.

88. And, therefore, you may put it generally that that is the control of the movement of funds?—Certainly that is so.

89. And I think we must add, must we not, that he also has duties somewhat analogous to those of the Deputy Master of the Mint?—Yes, in controlling the operations of the Mint and presiding over the currency. Well, the currency in England is rather controlled by the Treasury, is it not? Would not the currency come more directly under the Chancellor of the Exchequer?

90. Quite so. The Chancellor of the Exchequer is Master of the Mint; that is part of his office, and all currency questions which involve considerations of policy are, of course, solely in the province of the Chancellor of the Exchequer?—Yes, the policy to be adopted for the Mint and currency would be in the province of the member of Government in the financial department, but the Comptroller-General is responsible for the administration of the department.

91. (*Mr. Courtney.*) You are thinking of paper money only?—I was thinking of both; he has both Mint and paper currency, and I believe in England it would be rather a double duty. The Comptroller-General corresponds to the two officers of the English Administration.

92. (*Chairman.*) Would you describe the Comptroller-General as the second officer in the Central Treasury under the Financial Member? In the absence of the Financial Secretary does he take his place and represent him?—No, that is not quite the case. In the case of the Financial Secretary being absent for a short interval—a few days—the deputy secretary would take his place. If the Financial Secretary took leave of absence, the Government would appoint an acting secretary. When Mr. Finlay, the Financial Secretary, came to England in 1894, Mr. Jacob, who was then the Comptroller-General, was appointed acting Financial Secretary, but that was not because he was the Comptroller-General, but because the Government of India considered him the best man to select.

93. Is his office in the same building with the Central Treasury, and—from what you have said before I take it that it does not—form part of the Central Treasury establishment?—No, it is under the same roof, but it is quite separate from that of the Financial Secretary. The Comptroller-General always remains at Calcutta; when the Government is at Simla, the Financial Secretary goes up with a certain part of his office to Simla, but at the same time the Comptroller-General is always in constant unofficial and confidential communication with the secretary.

94. Practically, therefore, the Comptroller-General when the Government is at Simla, is, the representative of the Treasury in Calcutta?—Yes, in so far as the duties have to be discharged immediately on the spot.

95. Then in a rough sense perhaps you might say he is the second officer in the Treasury, might you not?—The Comptroller-General is usually a more important officer than the Deputy Financial Secretary; but my point is that the Comptroller-General does not succeed to the Financial Secretary in his absence, but the Deputy Secretary would if the absence was for a short time.

96. But if the absence is for any long period, such as coming home, it looks as if the Comptroller-General was preferred to the Deputy Financial Secretary as acting chief?—I think it is a question then of the personality of the man—whichever has the greatest experience would be selected.

97. Has the Comptroller-General a deputy?—He has three deputies; one of whom, called Deputy Comptroller General, works in the office and is the Comptroller-General's chief assistant for his work generally. He signs many of the accounts and the Budget with the Comptroller-General. The other two are Deputy Auditors-General, and are employed on the inspection and test audit of the other account offices. If the Comptroller-General were away only for a day or two, his duties would be performed by the Deputy Comptroller-General; but if the Comptroller-General took leave of absence, one of the Accountants-General would probably be appointed to act for him.

98. Then do I understand that under the Comptroller-General his department is entrusted to deputies, one of whom is purely an auditor?—Yes. Perhaps you had better let Mr. Jacob answer that question, as it has reference to his office.

(Mr. Jacob.) The duties of two of the deputies are confined entirely to the audit, and one is the general assistant of the Comptroller-General.

99. Then one is the assistant to the Comptroller-General in his executive functions, and two in his audit functions?—Yes.

100. What is the strength of the establishment of the Comptroller-General?—(Sir Henry Waterfield.) The Comptroller-General's department is thus composed: Comptroller and Auditor-General, salary 3,500 rupees a month; Deputy Comptroller-General, Rs. 1,750 to 2,000.

101. May I just stop you for a moment. Does not that mark rather a difference between the Comptroller General and the Deputy Financial Secretary? When you were mentioning the salaries of the Treasury staff, you stated, if I remember rightly, that the Deputy Financial Secretary had rather a smaller salary?—The Deputy Secretary has Rs. 2,250. Undoubtedly the Comptroller-General's post is a more important one than that of the Deputy Financial Secretary. After the Deputy Comptroller-General come a Deputy Auditor-General at Rs. 1,750 to Rs. 2,000, and another Deputy Auditor-General at Rs. 1,250 to Rs. 1,500. There are four Assistant Comptrollers-General at Rs. 600 to Rs. 1,250, one Chief Superintendent at Rs. 450, nine Superintendents at Rs. 200 to Rs. 390, and 100 clerks at Rs. 30 to Rs. 175. Then besides that, as Head Commissioner of Paper Currency the Comptroller-General has the following establishment:—One Assistant Comptroller-General at Rs. 1,000 to Rs. 1,250, one Chief Superintendent at Rs. 500, one Treasurer at Rs. 500, one Deputy Treasurer at Rs. 200, three Superintendents at Rs. 200 to Rs. 290, 101 clerks at Rs. 20 to Rs. 125.

101a. That makes a very large total establishment?—Yes, upwards of 200 clerks in the total establishment.

101b. I suppose that a very small number of these are European-born, are they?—(Mr. Jacob.) Yes, a very small number.

102. It seems to me rather important, Sir Henry, to understand the nature of the executive duties performed by the Comptroller-General, especially with reference to that of which we have already spoken, viz., that he is at the same time entrusted with the functions of an independent auditor; and I would ask you does he advise the Financial Minister on financial questions, and does he take part in the ordinary business of the Treasury, framing the estimates? Or is he simply chief accountant responsible for the preparation of the

account sent to the Treasury, and directing in addition the movement of funds throughout the country?—(*Sir Henry Waterfield*) The financial member constantly takes the advice of the Comptroller-General, but the current business of the Financial Department does not come before him. He is not, however, simply a chief accountant; in addition to the duties described in the previous answer, he compiles the estimates for the whole of India in all departments, independently of the Financial Secretary, and the Budget is signed by both officers.

103. I think perhaps it would bring it home to the members of the Commission who are more familiar with the English system than with the Indian, if we could take it that the nearest analogy to the duties of the Indian Comptroller-General would be if in our Treasury here Sir Edward Hamilton, in addition to his other duties, was Comptroller and Auditor-General.—I suppose it would be so; but I am not quite sure that you would then have exhausted the duties of the Comptroller-General.

104. Now, take the case of the Afghan war. The Comptroller-General is the first officer at head-quarters who would have knowledge of the state of the cash balances in the different treasuries, and he would be the first officer to learn that the cash advances were in excess of the rate foreseen in the estimates, would he not?—The Accountant-General of the particular province would be the first officer to observe a drain on the balances; but the Comptroller-General's attention would be immediately drawn thereto by the telegraphic report, and he would at once examine the cause.

105. Therefore he would be the first officer at head-quarters?—Yes, at Calcutta probably he would.

106. Then on the occurrence of a like emergency he would be as it were the watchdog or signalman of the Treasury, and the Finance Minister would rely upon him for the first intimation of financial danger?—No doubt the Comptroller-General would give the necessary warning; but, as the Financial Secretary would also have the telegraphic reports, he would probably have also observed the excessive drain.

107. But the Financial Secretary receives that information practically through and from the Comptroller-General, does he not?—At the time the present arrangements were initiated a note was written by Mr. Hope, who was then the Financial Secretary, on the arrangement which it was intended to introduce, and, in giving a description of the returns and statements which were to be brought into force he said, "three principles have governed the re-organisation; (1) first, that it is the business of the Comptroller-General or other officers, as the case may be, to supply, and to be responsible for, all facts and figures which the Financial Department may require; (2) that the latter must digest and compile from day to day the information thus supplied in such form as it may deem suitable for maintaining 'touch' of the whole; and (3) that nothing shall be supplied to it which it does not intend regularly to scrutinise, check, and apply to some practical use." Thus you will see the Comptroller-General, although he undoubtedly would give warning, is not charged with the duty of giving warning. That rests with the Financial Department.

108. With the Financial Secretary?—With the Financial Secretary.

109. But still the Comptroller-General would be the first officer at head-quarters who would receive the information showing that there was danger ahead?—I do not know that he would be the first officer, because it would be simultaneously given to the Financial Department; but he would learn it as soon as anyone.

110. The point I want to come to is this—would it come through him to the Finance Department?—No, a duplicate of these reports goes direct to the Finance Department. (*Mr. Jacob*) The Comptroller-General communicates it to the Finance Department; the Comptroller General compiles the Accountant-General reports, and he would be the first to know the general state.

111. And he communicates it to the Financial Department?—And he communicates it by telegraph, or by memorandum if the Government is in Calcutta.

112. That is a very important executive function, is it not?—(*Sir Henry Waterfield*) Certainly it is.

113. Accounts and returns for the whole of India are furnished to the Comptroller-General by the Ac-

accountants-General and Comptrollers of the several Provinces, and, as I gather from paragraph 4 of the despatch of the Government of India dated 1st October 1881, also by other officers, namely, the Accountant-General, of the Public Works Department, the Controllers of Military Accounts, the Postal and Marine Controllers, and the Examiner of Telegraph Accounts?—Yes.

114. That is the case?—That is the case.

115. And, therefore, he focusses all the accounts from the different independent spending departments?—Yes.

116. The Provincial Accountants General do not forward to the Comptroller-General the accounts of the Military Public Works, Postal, Telegraph, and Marine departments, do they?—No. The Civil Accounts they forward, but not the accounts of the other Departments.

117. Are duplicates of those returns furnished to the Accountants-General?—No. The Provincial Accountants-General have nothing to do with the accounts of those other departments, which are sent direct to the Comptroller-General; for the purpose, however, of adjusting the balances of the Local Governments, they receive certain total figures from the Public Works Examiners.

118. Therefore, the Accountants-General of the Provincial Governments, who are the chief financial officers of the Provincial Governments, are not really aware of the financial condition of the provinces?—The Military Department is entirely under the Government of India, and not under the Provincial Government, and, therefore, the military expenditure does not affect their accounts.

119. But if these accounts, forwarded from Postal and Telegraph Comptrollers and Public Works Accountants, besides the Military Accountants, are not forwarded to the Accountants-General in the provinces, those officers cannot be fully aware of what is going on generally in the way of expenditure throughout the provinces?—They know the amount that has been paid to each department from the treasuries in their provinces.

120. But that is all?—They have not full information. They could not compile a complete account of the manner in which the money has been spent.

121. And, therefore, the Comptroller-General is the first officer who focusses and collects together the total of the whole expenditure of India?—That is so. (*Mr. Jacob.*) Yes.

122. The same despatch that I have just mentioned, describes the Accountants-General as officers of the Finance Department. Are they paid by the Central Government or by the Government of the Provinces to which they belong, and are they solely dependent on the Comptroller-General, or do they owe allegiance to the Government of the Province in which they are employed?—(*Sir Henry Waterfield.*) The salaries of the Provincial Accountants-General and their staffs are charged against the Imperial Revenues. They are under the Central Government, not under the Provincial Governments.

123. And, therefore, they owe no allegiance to the Provincial Governments?—No, excepting that they are directed to furnish all assistance to them, but they are not their officers.

124. But I rather gathered from a previous answer of yours that they were in the position of financial advisers to the Provincial Government?—Yes, they are advisers, but they must not interfere with the Provincial Governments. They only give them advice and warning, as being Imperial advisers at the headquarters of these Provincial Governments.

125. At the same time they most nearly correspond to the Financial Minister to the province, do they not?—There is a Finance Secretariat in each province.

126. Does that Finance Secretariat manage the finance of the province?—That manages the financial administration of the province.

127. Therefore, the Accountant-General, is purely the Accountant-General of the Central Government, standing aloof and apart from the provincial Finance Department, which deals with the financial questions arising within the Province and within the powers of the Provincial Government?—Yes, within the powers

of the Provincial Government. It is only by way of advice that he can exercise any influence.

128. We should therefore not carry away a correct conclusion if we were to assume that the Accountant-General in Bombay was, to all intents and purposes, the Finance Minister for Bombay?—Oh no, he is not.

129. (*Sir W. Wedderburn.*) But I think it is customary to refer matters partly to him for his advice from the secretaries?—It certainly is customary to do so I believe the Provincial Governments are very careful to obtain the advice of the Accountant-General in all matters of finance.

130. (*Chairman*) Probably the Provincial Government on financial matters gets the advice of the Accountant-General, because that would, in most cases, imply that it would get thereby the assent of the Central Government. I mean that the Accountant-General would know how far the Central Government would be likely to approve?—He would certainly give them warning if they were likely to be exceeding their powers. (*Mr. Jacob.*) Perhaps I might say that it is rather as to whether their proposals are in accordance with the regulations that the Accountant-General is consulted, not so much on matters of financial administration.

131. The Accountant-General would not be consulted, for instance, if the Provincial Government was within its limits, amending a method of levying we will say, the excise revenue?—Very seldom, I think, would he be consulted on a matter of that kind.

132. And I suppose also he would not be consulted on questions of increasing the establishment or measures of that kind, involving increased expenditure?—Every proposal involving an increase of expenditure has to be referred to him for a certificate that the present expenditure is properly stated.

133. And that it will not cause an increase?—And that the increase in the proposal is properly shown.

134. And that it will not involve an excess over the revenue assigned to the Provincial Government?—Yes, he would see that the proposal was within the powers of the Local Government.

135. The next officers mentioned are the Treasury Officers; who are they?—(*Sir Henry Waterfield.*) In the office of the collector or chief civil officer of each district, one of the deputies or assistants is appointed Treasury officer, he is subordinate to the Local Government.

136. Although he is in the office of the Accountant-General?—No, he is not in the office of the Accountant-General; he is in the office of the collector of the district—that is, he is a deputy of the collector of the district.

137. Have the Treasury officers any other duties to perform except that of bankers for the Government at the place where their treasuries are situated, receiving the revenue, and paying the orders issued by duly authorised officers?—The Treasury officers for their Treasury work are assisted by an accountant and a treasurer supervising their respective branches. The Treasury officers almost invariably have other duties to perform. They are on the general district staff, and perform revenue and magisterial duties. In some Provinces the Treasury officer is always in charge of the Excise branch of the Collector's office. In small districts the Treasury work would not take up the whole time of an officer.

138. Where do the Treasury officers keep the moneys in their charge?—In strong rooms in the collectors' district offices which are under double locks of the Treasury officer and Treasurer, and cannot be opened save in the presence of both these officials.

139. In great centres are the moneys placed in banks?—(*Mr. Jacob.*) Yes, in the Presidency banks or their branches.

140. Wherever there is a branch of the Presidency banks?—Almost invariably. I think there are one or two cases in which there is a branch, and the Treasury is not at the branch, but generally, if there is a branch of the Presidency bank at a station, it conducts the Treasury business.

141. There are other banks in India besides the Presidency banks?—Yes.

142. Does the Government ever make use of them?—No, I think in no instance. There have been such

proposals sometimes, but they have never been carried into effect.

143-4. I suppose, probably, these other banks have not branches in the small towns where many of the district treasuries must be situated?—No; they are only in large centres, like Agra and Delhi, and at some hill stations where there are many Europeans.

145. And there there would be branches of the Presidency banks, I suppose?—Yes, generally.

146. Therefore, it would practically come to this—that in the smaller centres where there are district treasuries there is no choice except to keep the money in the strong box?—No.

147. Do not these other banks have branches in many places where the Presidency bank has no branches?—I only recollect one instance. At Aden there is a branch of one of the banks, and a proposal was made by it to take over the treasury work; but for some reason or other the negotiations fell through.

148. Could you give us a statement of the places where there are branches of the Presidency bank, do you think?—Yes, I could get a statement made out; I do not think I have got it here. Do you mean where the treasuries ———

149. No, where there are branches of the Presidency bank; how many branches they have, and where they are situated?—Yes, I could give that to you. (*Sir Henry Waterfield.*) We shall be able to put that in.

150. I suppose it would not be very difficult to find out where there are branches of the other banks?—I think the directories which we have upstairs will give them at once.

151. Perhaps you could give them, without too much trouble?—I will see what we can do in that way.

152. How many treasuries are there?—There are 266 treasuries under the Provincial Governments. There are 19 in the Central Provinces, 36 in Burmah, 12 in Assam, 50 in Bengal, 52 in the North-West Provinces and Oudh, 35 in the Punjab, 36 in Madras, and 26 in Bombay.

153. Does that comprise the total number of treasuries, whether they are district treasuries or sub-treasuries, or is it simply the district treasuries alone?—Those are district treasuries alone; that does not include sub-treasuries.

154. Could you describe to us the difference between the treasury and the sub-treasury?—The sub-treasury is an outlying post for a district. The accounts pass through the treasury and are treated as if they all belonged to the district treasury, but in some places it is convenient to have a sub-treasury; if it is a considerable distance from the district treasury, it would be inconvenient to have all the revenue paid into the district treasury.

155. At the head of the sub-treasury there is, I suppose, a subordinate officer from the collector's department?—Yes.

156. You told us just now that the treasury officer had under him I think two officers, an accountant and another officer?—(*Mr. Jacob.*) The treasury officer has a treasurer and an accountant under him.

157. Has he any other officers?—Yes, the treasurer and the accountant are assisted by various clerks and deputies.

158. Then I suppose at a large district treasury the staff must be considerable?—Yes.

159. I suppose you have no return to give us an idea of what the cost of that Treasury system is—of the district treasury system?—No, I have not any statement made out.

160. Is it easily obtainable?—(*Sir Henry Waterfield.*) I am afraid it would be rather a long business to compile it from the Estimates. (*Mr. Jacob.*) The treasury officers of course are mixed up with the regular district staff.

161. And it would be somewhat difficult for you to separate them so as to give us some idea of what the charge of the banking department, if I may so call it, of the Indian Government is?—I think I could give you an idea of what is the cost of a large treasury and of a small treasury.

162. Perhaps you could give us that, would you?—Yes, I will try.

163. (*Sir Donald Stewart.*) Is it not the case that in some districts the Treasury officer is entirely employed in treasury work?—He may be. As a matter of practice he is simply one of the officers of the general district staff, and the collector can give him any work he chooses.

164. (*Chairman.*) I suppose that there are a few great central treasuries where the bulk of the revenue is received and the bulk of the payments are made, but that the larger number of those of which you have given us a description in the different provinces are comparatively insignificant?—(*Sir Henry Waterfield.*) The bulk of the revenue is received at the collector's office in each district; and any surplus not required for immediate expenditure is removed to central treasuries which are conveniently accessible by railway or otherwise, or from which the funds can be easily removed by drafts owing to mercantile demands, &c. The greater part of the funds is deposited at these central treasuries, and most of the expenditure is by drafts thereon. The payments at the greater part of the treasuries are relatively small.

165. Then do I understand the principle of the movement of funds to be this—that the money is collected and paid into the district treasury, and any money that is not wanted at that district treasury is remitted either in cash or by bills to more central treasuries, that probably at those central treasuries there are branches of the Presidency banks, and that those balances would be deposited in the Presidency banks?—(*Mr. Jacob.*) Yes.

166. So that the tendency of the administration is to transfer the money that is not immediately wanted on the spot to those treasuries where there are branches of the banks?—Yes, but the excess funds are not always left in the charge of the banks. At the Presidency towns, for instance, we have reserve treasuries in which we deposit any funds in excess of a certain amount.

167. Therefore, even where there are branches of the Presidency banks the whole of the treasury account is not kept there?—No.

168. Is there any reason for that?—Generally in the districts the whole of the treasury balances are kept with the branch banks, but we have a system by which we can transfer a portion of the treasury balance to the currency department and hold it as a currency balance.

169. And in that case?—It is removed from the Presidency bank.

170. Into the strong box?—Yes; that is a very useful system, because it often obviates the necessity of actually remitting the money. We may have a surplus at one part of the year and a deficiency at another, and by placing the money in the currency department we can transfer it to another treasury where the money is required immediately and then again when the money is required at the original treasury we can just make a corresponding transfer back again.

171. But on the whole would it not be more secure if the whole of the funds were deposited in the branch of the Presidency bank where there is one?—I think not.

172. You are satisfied with the regulation under which a portion is kept in the strong box?—Yes, I think it is a much more satisfactory arrangement. There have been occasions on which the banks have found some difficulty in making funds available at once. (*Sir Henry Waterfield.*) Many years ago there was a difficulty at Calcutta; and another occasion arose at Bombay, when the bank was not able to supply the Government with the money that was wanted, owing to their having lent out so large a portion of the money deposited with them.

173. Imprudent banking?—In their own banking business, and it was then ordered that the balance kept by the Government at the Presidency bank should only be a liberal amount for what was required, and that any surplus should be put in the reserve treasury.

174. That really appears to mean that there is a certain distrust of the Indian system of banking, and in consequence of that a preference for keeping money in the strong box?—There are no reserves in India

beyond those of the banks, and they may be unable to call in their money with sufficient rapidity, as happened in the case of the great crisis which took place a great many years ago in Bombay. I believe that on one occasion a difficulty also arose at Calcutta, through some mismanagement by the secretary of the bank.

175. In fact, it is an arrangement somewhat corresponding to the German Emperor's war chest?—It is somewhat of that nature, no doubt. (*Mr. Jacob.*) Perhaps I might be allowed to say that it is partly, I think, owing to the difference in the proportion which the Government funds bear to the whole of the funds in India. In London I suppose the Government balance is a very small portion of the total available funds in England at any given time; but in India the Government balances form a very large proportion of the total funds, and it does not seem advisable that the Government drafts upon the banks should suddenly cause a great strain upon the general funds available for commerce.

176. Of course it strikes one as singular that where there are banks, and especially banks of the standing of the Presidency banks, the Government money should not be altogether deposited there. But that opens rather a wide question that perhaps we may have to ask you more about hereafter. At the present moment we may rest upon your statement that the matter has been fully considered, and that this is what I may call a matured policy?—Yes.

177. Therefore, I will only ask you with regard to what I understood you to say, namely, that this reserve, which in the central treasuries is kept out of the banks, is so kept as part of the reserve in the hands of the commissioners of currency. I do not know whether I am right in calling them commissioners of currency, but the Currency Department?—No, the treasury surplus is always kept in the treasury, not in the Currency Department.

178. Then perhaps you will explain a little more fully what you said with regard to a certain portion of the balance being kept out of the bank for currency purposes?—Yes, what I mean is, supposing at Treasury A there is a surplus of treasury money available, and Treasury B. wants treasury money, there being currency depôts at each of these treasuries. I should telegraph, as Comptroller General, to Treasury A. and say, "Transfer 10 lacs of your treasury money to currency at Treasury A." To Currency Depôt B. I should telegraph as head Commissioner of the Currency Department and say, "Pay 10 lacs to Treasury B."

179. That is to say, you diminish the currency balance?—The currency balance at one depôt is diminished and at another it is increased; and the converse occurs with the treasury money.

180. And for that reason, I suppose, you are obliged to keep a certain amount of cash in reserve against the currency?—Yes.

181. Still to a certain extent that might be done even though at Treasury A the currency money was in the bank, might it not?—The balance is in the bank, but it is a condition of the Currency Act that we must have the money available as cash, so that, even when it is in the bank, it must be deposited in a strong-box which is under the key of the bank, and under the key of a currency officer.

182. And therefore it is an ear-marked deposit in the bank?—Yes.

183. Do the Treasury officers give security, or does the Government take any other kind of security against maladministration?—(*Sir Henry Waterfield.*) The treasury officers do not give security. There is for each treasury a treasurer who is in immediate charge of the cash, and who gives security. The treasurer and his subordinates (for all of whom he is responsible) have the handling of the cash, and his department is quite separate from the accountant's department. The accounts of the treasurers and accountants are agreed daily by the treasury officer, and form a check on each other.

184. Then are there no periodical surveys to see that the sum with which the treasurer charges himself is actually there?—(*Mr. Jacob.*) Yes. The collector of the district is bound to report, on the last day in each month, that he has actually counted the treasure, and he is also instructed to do so at uncertain intervals.

185. Are losses frequent under the present system?—*(Sir Henry Waterfield.)* No; and, when they do occur, it is invariably through neglect of some of the prescribed precautions. The rule is, “Whenever any defalcation or loss of public money, stamps, or opium, is discovered in a Government treasury, or other office or department, which is under the audit of the Accountant-General, the fact should be immediately reported to the Accountant-General; and, when the matter has been fully inquired into, a further and complete report should be submitted of the nature and extent of the loss, showing the errors, or neglect of rules, by which such loss was rendered possible, and the prospects of effecting a recovery. The submission of such report does not debar the local authorities from taking any further action which may be deemed necessary.”

186. Is there any return to the central treasury of the amount of losses in the year, or over a series of years?—*(Mr. Jacob.)* I do not think any return is made out; every individual loss is brought to the notice of the Local Government or the Imperial Government.

187. You could not give us any idea of what the sums lost in two or three years were?—No, I could not do that.

188. *(Sir Donald Stewart.)* Losses are very rare?—*(Sir Henry Waterfield.)* They are now very rare.

189. *(Chairman.)* They are so rare that it has not occurred to you to collect the statistics of them?—*(Mr. Jacob.)* No.

190. Then the Treasury officers are in fact district paymasters, and they exist for that purpose, practically, do they not?—Yes.

191. The moneys are kept in these district treasuries instead of being remitted, because it is convenient to have them there to meet the Government payments in the district?—Yes.

192. Are the district treasuries the sole Government banks, if I may so call them, at which Government officers can draw for funds; or do the Military, Public Works, Post Office, and other Departments keep chests of their own?—*(Sir Henry Waterfield.)* Those departments draw on the civil treasuries. But in a few cases military treasure chests are maintained, as, for instance, in the territory of Native States where there is no civil treasury; and, in all cases of expeditions, there is at least one military treasure chest at the base and perhaps elsewhere.

193. But there is no separate chest in cases where there is a district treasury near at hand?—Not in the ordinary course.

194. Can you describe in a general manner, or give an abstract of the regulations under which the treasury officers make their payments?—In the case of non-civil departments, such as the Military and Public Works Departments, which do not account directly to the Civil Accountant-General, money is drawn from the treasury by cheques against fixed assignments, the amount of which is communicated to the treasury officer by the Accountant-General. In the case of Civil Departments, the treasury officer is bound by certain general rules applying to the various classes of expenditure. Thus salaries can be drawn only at the rate communicated by the Accountant-General; establishment and contingent charges are drawn only on the signature or counter-signature of responsible officers, and such bills are paid by the Treasury officer without the application of any limit. Government has declared that the responsibility for an over-payment rests primarily with the drawer, and that the treasury officer is responsible only for checking palpable errors. All civil bills are submitted twice a month to the account office for audit (on the 11th of the month and the 1st of the following month), so that audit follows very rapidly on payment.

195. Are the amounts which the different departments may draw strictly limited?—Yes, by the assignments of the Military Department, and the letters of credit in the Public Works Department. For the civil departments there is no limit, the treasury officer meeting any payments, if authorised by the regulations; otherwise he would decline to pay.

196. Therefore I might perhaps describe the issues of the treasury in the large spending departments, such as the Military and Public Works Departments as being in the nature of imprests to those departments?—Yes, that is so.

197. Whereas in the civil departments the district treasury officers are ultimate paymasters?—Yes, the payments to civil departments are treated as final payments.

198. But if the issues to the military officers and to the Public Works Department are in the nature of imprests, that implies a certain cash balance being kept in the hands of those officers, does it not?—Yes. The Accountant-General is responsible for keeping the proper balance at each treasury to meet such charges.

199. But I mean when this imprest is passed into the hands of the military officer he has a balance in his hands?—Oh, yes, he draws on that imprest.

200. And where does he keep that balance? Because that was the object of my question, as to whether other officers besides the district treasurer had cash balances?—(Mr. Jacob.) They have; the balances of such officers are, as a rule, I think, of about 100 rupees or so at a time.

201. They are kept from hand to mouth?—Yes.

202. And as far as possible they only just draw what they want?—They are almost always near a treasury or sub-treasury, and can always draw what they want; they have no money in their hands except what is required for immediate payments.

203. (Sir Donald Stewart.) On field service large sums of money are sometimes placed at the disposal of the general in command?—Yes.

204. And there you have a treasurer and paymaster-in-charge, but in the ordinary time they have no balance?—(Sir Henry Waterfield.) Nothing of any moment. (Mr. Jacob.) Merely the money which is passing through their hands in course of payment.

205. The commanding officer sends in bills and cheques for money, that is all. He has no balance?—If a commanding officer drew 5,000 rupees from the treasury for payment to his regiment, he might not pay the whole amount on the same day as he drew it, he might complete the payment in a day or two.

206. That is an extraordinary case. When he gets advances, the ordinary practice is to draw on his treasury balance?—Yes, and such drafts are passed and cashed.

207. (Chairman.) And in that case, the treasury officer pays the actual cheque which the military officer draws, and so becomes the ultimate paymaster.

208. (Sir Donald Stewart.) The pay bills are submitted to the Pay Department?—No military pay bills are submitted to the civil treasury.

209. The commanding officer never has any balance practically?—I fancy the system has been changed since you were in India, Sir Donald. Now the Military Department draws entirely by cheques on the treasury.

210. Well, I do not know about the exact demand—it may be by cheque or bill—but the sum which they draw is fixed?—Yes, they get a cheque either from the paymaster or some other disbursing officer.

211. (Sir Ralph Knox.) Does that payment represent the exact amount which the commanding officer or military officer has to disburse, or is it a round sum out of which he makes the disbursements due to his men?—Ordinarily it would represent the exact amount he has to disburse.

212. (Chairman.) Supposing there is a certain commodity bought from a bazaar, costing 315 rupees, would that bill be sent in to the district treasury to pay, or would the military officer draw, we will say, 350 rupees, and pay it out of that?—It would be entirely according to his own idea as to what was most convenient. Very often the military or public works officer, if he has to pay a contractor, will draw a cheque for the exact amount payable, and make over the cheque to him. The contractor presents the cheque and draws the amount from the treasury himself; but, as far as the treasury is concerned, the payment is treated as an issue to the Military Department, and the military disbursing officer has to account for it.

213. As far as accounting goes it is an imprest?—Yes.

214. But in other cases, such, I suppose, as that which arose out of Sir Donald Stewart's question, I presume that some officer must draw the pay to be given to the men in bulk and pay it in detail?—Yes, but he would draw the exact amount payable.

215. But as you say that might remain a day or two in his hands?—A portion of it might.

216. Would you say that the Civil, Military, and Public Works Codes, so far as they contain financial directions under which the treasury officers act, are simple and easily understood?—(Sir Henry Waterfield) The Civil Account Code seems as simple as it can be made, being divided, to a great extent, into chapters applicable to particular departments; most of the treasuries are concerned with only a small portion of its provisions, described under the head of treasury procedure, but it is necessary to provide for all contingencies that may arise at any treasury. The treasury officers have very little to do with the Public Works and Military Account Codes, which are mainly for the guidance of the officers of those departments; but abstracts of such portions as the Treasury officers may have to act on are given in brief chapters in the Civil Account Code.

217. You do not think then that there is, or ought to be, any difficulty in interpreting the codes?—I spoke to Mr. Jacob on the subject, and he assures me that each officer knows what he has to administer, which is within a comparatively small compass. No doubt these two volumes do look very formidable, but the treasury officers are not concerned with the second.

218. Your memorandum says that: "A treasury officer may not make any payment unauthorised by the code, unless under an express order to himself from the Government, and he must at once enforce any order from the Accountant-General disallowing a payment. If the Local Government overrules the Accountant-General, even temporarily, reference must at once be made to the Government of India" as to whether it falls within the code?—Yes, he must only pay what the regulations authorise.

219. Does the exercise of this discretion cause any friction between the treasury officers and other departments?—I believe not.

220. You have never heard of such being the case?—No; I think one does hear occasionally of friction, but it is not from the action of the treasury officers, though, no doubt, the executive officers do not like being tied by regulations too closely, and complain, but that is probably essential.

221. That is what was in my mind in asking the question, because where the interpretation of a code rests within the discretion of a certain officer, and perhaps a subordinate officer, I thought it very possible that the officers who made the order to which objection is taken, might, at all events, remonstrate against such a discretion being in the hands of a subordinate officer?—Yes, but I think it is not against the interpretation by the officer, but it is against the rule itself.

222. Yes. Exactly. Do you know whether payments are often refused on the ground of insufficient authority?—Payments are undoubtedly refused on such ground, but the requirements of the treasury officers are well known to each department, and they are generally easily complied with.

223. Are all the district treasuries in telegraphic communication with the accountant-general of the Province to which they belong?—There are, I believe, one or two in Burma which are not, but otherwise they all are.

224. Are the various branches of the revenue collected within a district paid into the district treasury?—Yes.

225. Would you describe to us the method and process of collecting revenue. Take, for instance, Customs; who is the chief authority responsible for enforcing the Customs laws throughout India, corresponding to the Board of Customs here?—The administration of the Customs is one of the duties of the Financial Department of the Government of India.

226-7. And, therefore, as far as there is an analogy, the Financial Member of Council, the financial secretary, and that branch of the treasury which has that duty assigned to it, would represent the Board of Customs here?—Yes.

228. Are the Customs officers, say in the Bombay Presidency, subordinate to the Local Government of Bombay, or to a central authority in Calcutta?—The Customs Department in each province is under the Local Government.

229. But if so how is uniformity in the administration of the Customs laws throughout India maintained?

May not, in the interpretation of one law, the Local Government of Bombay take a different view from the Local Government of Madras?—There is a recent order of the Government of India providing for the publication, in the Gazette of India, for general information, of all Customs' orders of general application. They are re-published in the local gazettes, and sent to Chambers of Commerce, and such bodies as are interested in them; and consequently there is a fair amount of uniformity in the administration.

230. (*Sir Andrew Scoble.*) Is there not an appeal from the Provincial Governments to the Government of India upon questions that arise upon the administration of the Customs' laws?—The practice is to admit an appeal, but by law the appeal is to the Local Government; the Government of India, however, always entertains an appeal if necessary.

231. And gives a definitive interpretation?—Yes.

232. (*Chairman.*) Then, under this order which you have described, there is only one Customs code of regulations in force throughout India?—Yes, there is one Act for the whole of India, under which regulations may, with the approval of the Local Government, be made for each Province, provided that they are consistent with the Act. That leaves a certain amount of discretion in the details.

233. Then the Local Government has the power of modifying or amending, providing always it is in accordance with the Act?—Yes, in matters of pure detail they can do so.

234. And knowledge of the difference if any Local Government interpret that discretion too widely, would only come to the Central Government in case somebody remonstrated or appealed?—I suppose so. (*Mr. Jacob.*) The proceedings of the Local Government are all submitted to the Government of India, and the Government of India does sometimes take notice of matters which come before it only through the proceedings of the Local Government.

235. That involves a very great work of review does it not?—Yes, but the proceedings are actually reviewed by the Government of India. (*Sir Henry Waterfield.*) That is to say, they are read by the Government of India, and noticed by it, if necessary.

236. And I gather by what you have just stated to one of the members of the Commission that practically the ultimate appeal against the action of Customs officers comes to the Central Government?—Yes. By the law the ultimate appeal in questions relating to Customs is to the Local Government, but the Local Government is in all executive matters subject to the control of the Governor-General in Council, and appeals are admitted against the orders of Local Governments in Customs matters.

237. Under what regulations do the Customs officers, say of a small port, pay the revenue which they receive into the district treasury?—As far as the treasury transactions are concerned, there are no special regulations for the Customs Department. The revenue is paid by the Customs Department into the district treasury, and is accounted for to the departmental controlling officers, who receive from the Accountant-General, for comparison with and check of the departmental returns, accounts of the amounts credited in the treasury.

238. Do they pay into the district treasury only the net surplus of the revenue collected after defraying all charges of collection, or do they pay their gross receipts into the district treasury, drawing again on the district treasury for such sums as they require?—As a rule they pay in the gross revenue, and draw by bills any amounts required for expenditure; and even in the few instances in which any departmental officers are allowed to spend out of revenue, the gross revenue is brought to account on the treasury books, the amounts spent being treated as remittances from the treasury, and charged off. This would seldom be permitted unless the officers were at a considerable distance from the treasury.

239. The principle being that gross revenue is brought to account, and gross expenditure charged?—Yes. The first rule of the Civil Account Code is:—All transactions to which any officer of Government in his official capacity is a party, must without any reservation be brought to account, and all the money received be lodged in full in the Government

“treasury, to be credited to the appropriate account, and make part of the general treasury balance. Then it goes on:—“This rule is relaxed in the civil department:—(a) in the case of the Postal Department, to afford facilities for the money order business; (b) in regard to monies received on account of the service of summonses, diet money of witnesses, &c. in civil and criminal cases; (c) in the case of Government servants appointed Notaries Public under Act 26 of 1881.”

240. Take the Excise, is there a central Excise authority, and are Excise officers subordinate to that central authority or to the Local Government?—The Excise Department is under the several Provincial Governments, who, on questions requiring authority beyond their own powers, would correspond with the Government of India in the Financial Department.

241. Perhaps you would explain what you mean by the Government of India in the Financial Department? It is a phrase, is it not?—It is the financial office of the Government of India. All orders that are issued by the Governor-General in Council which deal with financial matters are issued by him in the Financial Department.

242. And in the same way I suppose any order in the Home Department is issued by the Governor-General in the Home Department?—Quite so. The Governor-General in the Financial Department answers to what we here call the Treasury.

243. But is there no Central Excise authority?—The Financial Department of the Government of India controls it, as it does the Customs; and in matters of Excise as well as Customs, there is an appeal to it similarly from the action of the Local Governments, if necessary.

244. Quite so; but you can hardly compare that limited branch of the Treasury with the Board of Inland Revenue here?—You must not look at the control as exercised by the particular deputy secretary who is dealing with it, it is the Government of India.

245. Quite so; the Government of India, but the functions that the Treasury exercise must be very much more limited than those which are exercised by the Inland Revenue Department here. Let me explain what I mean. I understand that the Excise officers, being under the Local Governments, that part of the work which is done here by the Board of Inland Revenue would not be done in the central Treasury in India because it is work delegated to the provincial authority; but all the important disputed questions which arise as to the enforcement of the Excise laws, and which really concern such an enormous number of traders throughout the country, are brought to the notice of and settled by the Board of Inland Revenue here, and no doubt they must form a very considerable part of their business. Would that part of their business be carried out by the branch of the Treasury of which we have been speaking?—In the first instance, it would be by the Local Government acting under the law; and it would only be in case the Local Government was in doubt, or a representation was made that its action was not just, that a reference or an appeal would be made to the Government of India.

246. I am trying to get the process into one's mind. In reality then the functions of the Board of Inland Revenue are to a great extent exercised in India by officers in the different Provincial Governments, and the function of the Central Finance Department at Calcutta corresponds very nearly to that of the Treasury here—that, namely, of a Court of Appeal?—I think so. I think that that is a fair representation of the case.

247. But then there seems to me to be a lack of power, or might be a lack of power at one point, viz., the want of advisers of the Finance Minister in carrying out modifications of the law. In advising modifications of the law, the Board of Inland Revenue here are a skilled body administering the law throughout the United Kingdom, knowing where the shoe pinches, able to judge better than anybody else, from their large experience, the value of remonstrances, and who are therefore the most competent people to advise the Chancellor of the Exchequer upon changes in the law. I do not quite see, under the administration which you describe, where the corresponding, or equally competent authority exists to advise the Financial Members of the Council?—It must be

remembered that in India you are dealing with very different provinces, and different sets of people, and strict uniformity is impracticable and undesirable. The Government of India, in such a case as you mention, would consult the Government of the Province which was concerned, and obtain the advice of the chief authorities there; and they also have in their own Council probably officers who are acquainted more or less with the particular districts. There are three or four civil members of the Council who have served in different parts of India, and who would very likely have personal knowledge on the subject. The Government of India would also have advice from the heads of the different departments; and, although perhaps not with the same convenience of personal intercourse, the Government could by correspondence at any rate, consult all the authorities who know best, and they would be able to say how far it was desirable to modify the orders of the Local Government.

248. (*Sir Andrew Scoble.*) Is not the practice this—that when a proposal is made for alteration in the law relating to excise, for instance, the Local Governments are first consulted by the Central Government as to whether the necessity for change in the law is established. Upon these communications a Bill is drafted which is again circulated to the local authorities, and when the Bill is introduced into the Legislative Council of the Governor-General it is again circulated, not merely for the information of the Local Governments, but the Chambers of Commerce and other public bodies, and also private individuals conversant with the subject, whose opinions are invited; and it is upon the body of information thus obtained that the project of law is finally brought into shape, and becomes an Act of the Government of India?—That is so; but I had understood the Chairman's question rather to refer to questions arising, after the law was established, as to whether it was fairly administered.

249. (*Chairman.*) I am trying to find out where the motive power would be for modification and amendment of existing law. The original suggestion would come from the Local Government which was concerned in the case on which the question had arisen?—Certainly it would.

250. And then the process which has been described would be gone through before the alteration of the law was finally made?—Yes.

251. (*Sir James Peile.*) There is not one Excise law for the whole of India?—No.

252. There are different laws for different provinces, suited to their conditions?—Yes. There is one law for Bombay, one for Madras, and one for Bengal, and then there is a general law for the whole of the rest of India.

253. All of which are passed by the Legislative Council of India and not of the Province?—No; the Bombay, Madras, and Bengal Acts were passed by the Local Government Councils, and an Act by the Legislative Council for India was passed for the rest of India.

254. (*Chairman.*) Then in further explanation I would say this: the Chairman of the Board of Customs and the Chairman of the Board of Inland Revenue are the chief members who would be consulted here; who are the officers in India corresponding to the Chairman of the Board of Customs and the Chairman of the Board of Inland Revenue, with whom the Financial Member of Council could consult?—The Financial Member of Council would consult the Local Governments, who would, as a rule, furnish their advice after consulting the Chief Customs or Excise authority. Of course there is often personal and verbal consultation with the actual authorities when any matter of importance is under discussion; and, as Sir Andrew Scoble mentioned, it is very fully discussed in public through the advertisement of the proposed Bill.

255. As I understand, drafts of Bills affecting the public, like Tax Bills, are practically submitted, before they become law, for the criticism of the public?—They are published three times, and again at later stages, if materially altered.

256. Before they become law?—Before they become law.

257. (*Sir Andrew Scoble.*) In the local gazettes both in English and in the vernacular languages, is it not?—Quite so.

258. (*Chairman.*) Take a special case. On the question of imposing a countervailing excise duty on cotton manufactures, who in ordinary course would be the technical advisers of the Financial Member?—That question more especially affected the Bombay Presidency, and Sir James Westland went to Bombay to discuss the subject with the Local Government, and to make inquiries on the spot.

259. (*Sir Andrew Scoble.*) I believe he also consulted the different bodies connected with commerce at Bombay, did he not?—He was in communication—confidential communication—with certain members of them; the chairman, I suppose, of the board, but I do not think he formally consulted the Chamber of Commerce there.

260. (*Chairman.*) Then I suppose the Excise Revenue is paid into the district treasuries in exactly the same way as the Customs, and subject to the same rules?—Quite so. It is paid in gross; when it has been collected at or near head-quarters or at a sub-treasury, it is paid in from day to day. From places at a distance the revenue is remitted at longer intervals, but generally every two or three days.

261. Take the stamp revenue: Is there a Central Stamp Authority, and are the collecting officers subject to that authority, or are they the Local Government of the province in which they are employed?—Like the Excise, the stamp revenue is under the Provincial Governments, large questions being dealt with by the Government of India in the Financial Department. The officers are under the Provincial Governments, but the regulations are made by or under the control of the Government of India.

262. The Central Financial Department practically being the department to which appeal is made?—Yes.

263. And I suppose the stamp revenue is collected and paid exactly in the same way into the district treasuries?—Stamps are sold at the treasuries and sub-treasuries. The bulk of the revenue thus comes direct into the Treasury. Fines and other miscellaneous revenue are paid into the Treasury as soon after collection as is convenient.

264. With respect to these three branches of revenue, where in doubtful cases does the ultimate discretion rest as to the interpretation to be put upon a revenue law, or as to non-enforcement of the law in its strictness? Does it lie with the revenue authority itself, or with the Central Treasury?—In law the decision rests with the Local Governments; but appeals would be entertained by the Government of India in the Financial Department under its general powers of control. In the Stamp Act special provision is made for a reference to the High Court, if the local authorities are in doubt upon a point. But that, I think, is not a case of an appeal to the High Court, but a provision that the local authorities may state a case in order to have a decision.

265. Like reserved cases in the Court of Exchequer here?—Yes.

266. If that is the case with the laws, how is uniformity of action and interpretation secured?—The Provincial Governments have freedom in details; their general action is controlled by the Government of India. But that Government would not require the same regulations to be followed, in Burma for instance, as in the Punjab. Local considerations render uniformity impracticable.

267. Here, although the Customs and Inland Revenue Boards are responsible for the execution of the laws, they consult the Chancellor of the Exchequer beforehand, and thus secure harmonious action. Is any similar result obtained in Indian Revenue administration?—I think I can only say that there is always an ultimate appeal allowed to the Government of India by any member of the public.

268. And I suppose also, that, if the Finance Department became aware of a difference of practice which might result in inequality before the law in different presidencies of India, they would take steps to remedy it?—(*Mr. Jacob.*) I think so.

269. Here the Chancellor of the Exchequer is always open to appeal from members of the public on revenue questions; is the Finance Member of the Council

equally open to appeal in India?—(Sir Henry Waterfield.) Yes.

270. I think you have told us the land revenue is a branch of the revenue which stands apart—that it is not under the management of the Provincial Government. Would you describe the methods in which it is collected?—I think you did not quite catch my reply. It is that it is not under the Financial Department. There is a special department of the Government of India, the Revenue and Agricultural Department, which controls the land revenue.

271. Yes?—The actual method of collection differs in each province, but as a general rule the revenue payer is bound to pay in his revenue to the district or sub-treasury himself by a certain date. He brings it first to the Land Revenue Department (in the same building), an official of which checks the amount and initials the memorandum made out by the payer. It is then taken to the Treasury, and the amount is paid in. Separate returns are made to the Chief Revenue Authority in the province from the Land Revenue Department and the Treasury. The Provincial Government does not actually retain a portion, because the revenue is included, in the balances. I mention that because I said in my paper that it retained a portion; it is not actually retained. The revenue is included in the balances which are managed by the Comptroller-General, but the Local Government is credited for provincial purposes with one-fourth of the receipts.

272. Then the chief authority for the collection of land revenue is a central department in Calcutta?—The Revenue and Agricultural Department of the Government of India. But there again there is great latitude for the Local Governments. The land revenue is paid under very different systems in different provinces of India, and in different districts of the same province.

273. But did I gather that the collecting officers are officers subordinate to this central department, or are they officers of the Local Governments?—They are officers of the Local Governments. The collector is the chief officer in each district of the province.

274. Then what is the function of the Central Department in that case?—General questions—all questions that require an alteration of the law, for instance—must be submitted to the Government of India. The Local Government cannot alter the laws relating to Land Revenue on its own authority.

275. Can you give us any idea of the strength of the Central Revenue Department?—The secretary has Rs. 4,166 a month. He has an under secretary on Rs. 1,300 to Rs. 1,500, there is one registrar on 600 to 700; and 37 clerks from Rs. 40 to Rs. 600.

276. Then, I suppose, the Central Department is a special department of appeal?—More than that; because it is not only the Revenue but it is also the Agricultural Department, and there are many questions—general questions throughout India, which must come before the Government of India—general questions of settlement—and the Survey and Settlement Law are under the Government of India.

277. I understand that they would decide questions of principle?—Yes.

278. Questions of principle must be settled at headquarters by this Department?—Yes, the local bodies recommend, but they must receive the sanction of the Government of India.

279. Still that brings the functions of the Central Department rather near to those of a Department of Appeal?—Appeal and general control.

280. More corresponding to the functions of the Treasury here than to those of the actual Executive Departments?—Yes, I think so.

281. Would there be any cases in dealing with the Land Revenue in which appeal would lie to the Finance Member?—No, not an appeal from the public to the Finance Member; any such appeal could only come through the Local Government to the Government of India in the Revenue Department; but, if the Government of India and the Revenue Department wished to make an alteration of law or system which would involve a loss of revenue or increase of charge, the Finance Department must be consulted.

282. Then again there is another duty which is reserved to the central authority—the Opium Duty—In that case, what is the regulating authority under the law?—The Opium Department is under the Government of India in the Finance Department. The revenue is, as your Lordship is probably aware, collected under two very different systems. In Bengal the poppy is cultivated by means of advances made by the Government, which itself manufactures the opium; and the revenue consists almost entirely of the proceeds of the sale of opium by auction at Calcutta. In Bombay the opium is manufactured in the Native States, and a pass duty is levied on the transit of the opium to the seaboard. The opium revenue in all provinces is Imperial, the detailed rules are framed under the sanction of the Government of India, and any doubtful points in the law or rules would be referred to it.

283. But in this case the central authority is a branch of the Government of India in the Finance Department?—It is.

284-5. The post office and telegraph services throughout India are under the control, are they not, of a single officer?—A single officer, in each case; the Director-General of the Post Office and the Director-General of Telegraphs are officers immediately under the Government of India—the two departments are quite distinct in India.

286. And are they under the Government of India in the Finance Department?—The Director-General of Telegraphs is under the Public Works Department; the Director-General of the Post Office is under the Finance Department.

287. Are the surplus Postal and Telegraph Revenues paid into the District Treasuries or remitted direct to Calcutta or other centres?—The receipts from both departments are paid into the several district treasuries and form part of the general balances.

288. Is there not a net surplus on these two undertakings?—The Telegraph Department has for several years produced a net revenue. The Post Office began to produce a net revenue on the accounts some years ago; it was then decided to charge the post office against stationery, and printing charges, and this, for a year or two, absorbed the surplus; but now its receipts are in excess of its expenditure. There are, however, some charges which are incurred on behalf of these departments, but not debited to them. An account exhibiting the position of the Postal Department is always made out at the end of the Annual Post Office Report; and in the Telegraph Report similar calculations are made, to show the true financial result.

289. The Financial Member of Council is, of course, interested in the amount of such net surplus as part of the Ways and Means of his Budget?—The Postal Department is not usually looked upon as a revenue-producing department in India. There was an illustration of that, I think, in the debate in the Legislative Council on the last Budget, which shows that the revenue is not treated as one of his reserves by the Finance Members. There is much room for expansion of the post office in India, and for some years to come, probably, the necessity for such expansion will be kept in view. At the same time the Financial Member is undoubtedly interested in the financial result, but not more because there is a surplus than if there was a net charge for which he had to find ways and means.

290. Of course there are different aspects of the same question?—Yes.

291. Still, it is the accepted view that the service is to be expanded?—Yes.

292. There would be in that case a certain antagonism between the head of the Post Office, who has no interest in the equilibrium of the revenue, but is much interested in making his department as efficient as possible, and the Financial Member of Council, might there not?—The Postal Department is administered directly by the Financial Department of the Government of India.

293. Therefore, it is completely subject to the Financial Member?—It is completely subject to the Financial Member.

294. Then as to the Telegraph Department?—In the case of the Telegraph Department, which is administered by the Public Works Department, such antagonism may be felt to a slight degree; but the Financial Department of the Government of India fixes the total amount of the Telegraph expenditure before the estimate of revenue is framed.

295. The point I want to come to is this: We have been hearing of the very great difficulty in which the Government of India is placed in respect of finding ways and means, but if it is laid down by the Government that the Post Office revenue is to be entirely spent on expansion of the service, a sound and prudent Finance Minister might in times of great difficulty offer reasonable objection; might he not?—Yes.

296. And say: "This is not the time for great expansion of the service; this is not the time for reducing a telegram from a shilling to sixpence; we must get into smoother water before we do it." That is the special function of the Finance Member. But, unless he has considerable powers in this direction, might not the Government find itself practically forced to accept a thorough going policy of expansion, irrespective of financial circumstances?—Yes. I do not think that any prudent Finance Minister would agree in the view which perhaps the Director-General of the post office might wish to enforce that the whole of his revenue was to be spent in developing the department. In a time of surplus the Director-General would have a better chance of carrying out reforms if he could show that there was a surplus revenue in his own department, but the Finance Minister in a time of pressure would certainly not allow development to occur in the post office any more than in another department.

297. What I gathered from you was that the policy of the Government of India, in spite of these bad times, and the necessity for looking around for new taxation, is still in favour of this policy of expansion instead of economy?—No doubt it is, as in a great many other departments in India. We must look to progress being obtained by expansion of expenditure. But in all cases of pressure it is not in one department only, but as was shown only recently, all the departments had very strong pressure put upon them to curtail their expenses.

298. Therefore, you would hardly say that the policy of expansion of the post office is adopted without reference to financial considerations?—No, not at all. I would not go so far as that.

299. Would you explain to us the method in which the surplus revenues from State railways and irrigation or other revenue-producing works are brought in aid of the general expenditure?—All revenue from railways and irrigation works is paid into the treasury of the district in which it is received, or the central treasury which for convenience may be prescribed (as, for example, where the railway terminus is situated). As a rule, the revenue for any railway is paid only into one treasury.

300. And that would be a central treasury?—Probably a central treasury, either at the terminus or in a town through which the railway passes.

301. Is there any central authority, which regulates the State railways?—State railways are for the most part under the direct control of the Government of India in the Public Works Department. Some are provincial, but they must be administered under the general regulations.

302. Could the Public Works Department reduce the traffic rates without previously obtaining the assent of the Financial Member of the Council?—The alteration of traffic rates is a matter for decision by the Government of India in the Public Works Department; but, like any other measure involving a loss of revenue, it cannot be brought into operation without the previous sanction of the Financial Department; or, in case of a difference of opinion, of the Governor-General in Council. In practice, certain maximum and minimum rates are prescribed, within which the railway administrations are left free to make such alterations as they think fit, their proceedings being always reported to the Government of India in the Public Works Department.

303. Passing now to the manner in which the general Budget of India is framed. At what time of the year must the Budget be ready for the Legislative Council?—It is usually presented to the Legislative Council in the last week of March.

304. At what time of the year do the departments prepare their several Budgets for the ensuing financial year?—The various officers prepare their estimates in October, the departments then combine these, and send them to the Provincial Governments, for whom the Accountants-General compile them into a Budget about the middle of January.

305. Would you describe who are the officers who "prepare the Budgets and submit them to the departmental authority?—The head of each office; for instance, the collector in each district.

306. I want to get the distinction between office and department?—In every province there are from about 20 or 50 districts, and the collector in each of those districts will compile his estimate for his office. The public works officer, the engineer, will compile the estimates for his office or his work. But they all have to be amalgamated; for instance, all the civil engineers' various estimates have to be amalgamated into the estimate of the chief engineer in the province. And the same way in other departments.

307. It is a distinction which arises out of the immense administrative area over which the collection of statistics and accounts extends?—Yes.

308. Is there any fixed date by which the Budgets must be submitted to the Central Finance Department?—The Civil Budgets must be despatched by the 15th of January.

309. To the Central Finance Department?—Yes.

310. And is there a different time fixed for the Military and Public Works Departments?—Yes. The Military Estimates must reach the Military Secretariat about the middle of December; the Public Works Estimates must be sent to the Government of India in the Public Works Department by the middle of January. It is a matter of convenience in the department, what time is prescribed.

311. Then the Military Budget is in the hands of the chief military authority by what time?—By the middle of December.

312. And the Public Works have a longer period given to them?—Yes.

313. The ordinary civil budgets being, as you said, I think, presented in January?—By the middle of January, about the 15th of January.

313a. By the middle of January, then, all the estimates of all the departments must be in the hands of the Government?—In the hands of the particular department of the Government of India which administers them.

314. Not in the Finance Department?—The estimates of the Military Department and the Public Works Department must reach the Financial Department towards the end of February.

315. So that practically the Finance Minister has a month to consider these Budgets?—It is hardly a month, perhaps three weeks.

316. Can you explain to us the process of framing the Departmental Budgets in the Military and Public Works Departments, or would you prefer that that should be reserved question for the officers of those departments?—I think I can give you a general answer, perhaps for any further details it might be better to ask them.

317. It might properly form part of this branch of information?—The Accountant-General in the Military or Public Works Department combines the estimates furnished to him by the several Controllers of Military Accounts or by the Local Governments (who have prepared their estimates on the reports of the local officers) and the managers of State railways.

318. Through what officers hands in a province do the Military and Public Works Budgets pass before they are sent up to the Military or Public Works Department in Calcutta?—The Military Budget is prepared for each of the four commands by the Controller concerned, and goes either to the head of the department, or direct to the Accountant-General. I may explain that in the Military Department there are several departments, the Commissariat, and the Ordnance, and so on.

319. Where do all those budgets centre?—All the estimates centre eventually in the Accountant-General.

320. But I suppose they centre in the first instance in the Controller of each of the commands?—Yes. Then as to the Public Works Budgets they are prepared by each Local Government for the provincial expenditure and the imperial expenditure administered by it. These are submitted to the Public Works Department of the Government of India, which also receives an estimate from each manager of a railway.

321. What is the process of the examination of the Budget by the Treasury?—The Financial Department early in September sends to each Civil Accountant-General a form showing under each minor head of revenue and expenditure the actual entries for the last five years and the Budget of the current year, and also under each major head the amount for the first eight, nine, and ten months, and the last four, three, and two of each of those years, thus drawing attention to any important variation that is usual towards the end of the year. It is one of those forms, showing under each minor head of revenue and expenditure the actual entries for the last five years. I think you would understand it better if you saw an instance (*exhibiting forms*). For each of these years you will notice at the top of the page a form which is left blank in the first instance, except as to past years. The blank columns for the revised estimate for the current year, and the Budget for the new year, are then filled up by the Accountant-General, who adds the actual figures as they become available for the completed months of the current year. He returns these, with explanatory notes, by the 20th of January to the Financial Department, by which they are carefully criticised and returned to the Accountant-General, with any necessary comments or inquiries. You will see at the foot of these tables that initials are put to the notes or questions by the Financial Secretary and the replies by the Accountant-General. About the middle of February they are returned to the Financial Secretary with replies, and any further information available, and he then directs what figures shall be entered under each major head in the preliminary compilation of the revised estimate and of the Budget. These are returned to the Accountant-General, who, after considering the actual results of February, sends an intimation by about the 10th of March of any important alteration which he deems necessary, after which the Financial Department settles the final figures. The Military Estimates are sent to the Financial Department about the 20th of February, with notes akin to those furnished by the Civil Accountants-General, together with a summary giving details of any material increase or decrease. In the Public Works Estimates particulars are given, for the past five years as regards irrigation works, and three years as to railways, of the receipts and working expenses of each important undertaking. In respect of roads and buildings, the particulars are given according to the province. The Comptroller-General examines these estimates carefully, with reference to their probable effect on the balances; but the check of the Financial Department is not applied in the same minute manner—that it is to the civil estimates, the necessary control being maintained generally by seeing that there is no excess over the limit previously fixed by the Financial Department as available under each major head. The budgets of other departments, such as post office and marine, are treated in much the same manner.

322. Is there any discussion by the Governor-General in Council of the forces to be maintained or of the works to be undertaken? and is the policy of the varying expenditures of the year decided, before the Military and Works Budgets are finally drafted?—Such a discussion must, as a rule, have taken place beforehand, and orders have been passed, which furnish the authority for including charges in the Budget. For example, the outlay to be sanctioned in the coming year on the construction of State railways will have been determined generally in the previous autumn, but final orders are passed towards the end of February, or early in March, approving or altering the previous decision.

323. My question rather referred to the Military Budget?—As a rule the forces would not be altered at all, it is a fixed establishment, and, except within units, perhaps, it does not vary from year to year.

324. Without entering on the question of the increase of military expenditure, I think there is ground for

saying, as a fact, that military expenditure has increased, and that I suppose has been the result of policy. I suppose the Governor-General in Council decides what is the military policy of the year, and that practically decides the amount of the estimate?—The establishment or force to be maintained was increased in 1884, and has not been altered since, and I do not think any discussion would, as a rule, arise as to the establishment; it would be assumed that it is to be maintained. The Budget provision for perhaps a particular local expedition, or, as in the recent case for a more serious war, may have to be considered, but I do not think that would affect the question of the force to be maintained.

325. There is a fixed establishment?—The establishment is fixed.

326. Which cannot be diminished in case of financial emergency, though it may be increased to meet political emergency?—It can be diminished. The amount of the British force maintained in India has occasionally been reduced, provided that the War Office were able to take the corps off the hands of the Government of India, but that would only be on some emergency which would not arise in ordinary course.

327. There is no formal decision come to as to what the forces shall be?—No; this was fixed many years ago, and has not been altered since.

328. (*Sir Donald Stewart*) It cannot be altered without the sanction of the Secretary of State?—No.

(*Chairman*.) I think Sir Ralph Knox will tell us that here the Cabinet always decides the number and force to be maintained?

(*Sir Ralph Knox*.) The number of the force for the year is determined by the Cabinet, but I think it does not form any subject for serious discussion in the Cabinet, unless some material change is proposed.

(*Chairman*.) What I mean is that the number of the force is really the basis which determines the larger part of the estimate.

(*Sir Ralph Knox*.) Yes; it is so, if any large addition was proposed it would certainly be a Cabinet question, but not such small variations as have occurred in recent years.

(*Chairman*.) Not perhaps of late, but you have known reductions made, have you not?

(*Sir Ralph Knox*.) Well, after consultation of course the orders of Government have been—

(*Chairman*.) Yes; but you have known reductions in the year?

329. (*Sir Ralph Knox*.) Certainly. That has been done by the Indian Government in past years, but only after consultation with the Home Government.

330. (*Chairman*.) But it would be rather an awkward position for the country if under no circumstances of financial necessity could the force be reduced?—What I mean is, when the Budget is being framed, it is then too late to carry on such a correspondence; that would have to be done months before.

331. Yes, exactly; the point of my question was whether the number of the force, or the warlike policy of the Government is determined beforehand?—Such a policy must be taken into consideration beforehand, it would be too late when the Budget is taken up.

332. What I have in view is that such a consultation would enable the Finance Minister to make fully known to the Governor-General and their colleagues what India can afford to spend, before they settle what she is to spend?—A consultation must be held by the Governor-General in Council, just as it is by the English Cabinet, to ascertain what expenditure must be incurred. But I think on any such great question as the reduction of the military establishment, the discussion must have taken place months before, as it would be necessary to consult the Secretary of State, and he would have to consult the War Office to see whether any reduction of the British forces could be effected; and for a reduction of the native forces it would be necessary to have the approval of the Secretary of State. A preliminary estimate is framed in February to show the general financial position in view of the decisions which may have been passed beforehand on all such questions.

333. Does the Budget estimate provide for those expenses only which will come actually into course of payment within the financial year? Let me explain what I mean by a reference to our financial system at home. Our Budget is confined to receipts actually paid into the Exchequer and to issues actually made out of the Exchequer within the financial year, that is before the close of business on the 31st March, the last day of

the financial year. Does the Indian Budget in like manner only relate to receipts into and issues from the treasuries within the year?—Yes, the rule is this: “It should be for what is expected to be actually received or paid (under proper sanction) during the year, including the arrears of past years,—not for the demand or the liabilities falling due within the year.”

334. I suppose you have no abstracts of those codes of which we have been speaking which might be of use to the Commission?—No, the codes are rather bulky volumes—the Civil Account Code in two volumes, the Military Account Code in one volume, and the Public Works Account in four volumes; and there is a Postal Account Code I believe also, of which I have not a copy. But there is a summary here in chapter 70 of the Civil Account Code, which is called a summary of the whole system of Government accounts. It runs over five or six pages, and if you would like to have a reprint of that, it would, I daresay, give the main points.

335. Well, I think it would be rather useful. Of course it is useless to think of going into those enormous volumes, but if that is really a summary of what they are it would be useful?—It is entitled “A summary of the whole system of Government accounts.” It is very technical as to the mode of compiling transfers, and it gives full particulars as regards the Civil accounts. That paper, which I laid before the Commission, on the system of account, is an epitome of the Civil Account Code, and was made from it.

336. It embraces all the main points?—All the main points of the Civil Account Code. I did not go into the same detail in regard to the Public Works Code, because that is very elaborate, and the general principles the same.

337. Then what would be the difference between your summary and these five or six pages that you speak of?—This chapter is divided into small sections dealing with “Civil Accounts,” “Other Departments,” “Monthly Accounts,” “Account between India and England,” “Local Books,” “Annual Finance and Revenue Accounts,” “Appropriation Report,” “Central Books,” “Report on Balances,” and “Writes-off”; and they contrive to give the general rules of account in five pages.

338. The point in my mind was not so much the number of accounts, but whether you could give us anything which would enable us to judge how far the provisions of these codes are simple and easily intelligible, because two or three volumes of regulations of that kind look as if they went into very great detail, and therefore as if they did not leave a very large field for that discretion on the part of the paying officer of which we have been speaking?—(Mr. Jacob.) The second volume of the Civil Account Code has nothing to do with the treasury officers. That deals with the work in the account offices; but the first volume is what the treasury officers are concerned with. (Sir Henry Waterfield.) The first volume begins with instructions to officers generally in dealing with treasuries. Part II. is divided into “General,” “Claims on the Treasury,” “Remittances, Budget, &c.” Then the second part is “Treasury Procedure,” divided into “General Procedure of Treasuries,” “Special Subjects,” “Transactions with other Departments,” “Service Funds,” “Cash Department of Treasury,” and “Miscellaneous.” But I am afraid there is no authorised abstract. This paper is a compilation of mine, which Mr. Jacob was good enough to check, and which gives generally an abstract of the Civil Account Code, but it is not authorised by the Government.

339. No, quite so. By what authority are those codes amended or modified?—The Comptroller-General is responsible for any amendment or modification of the Civil Account Code, but he cannot insert any alteration of a rule requiring higher sanction, unless it has received that sanction. The Public Works Code embraces orders on personnel, organisation, and other subjects besides accounts, and must have the sanction of the Government of India in the Public Works Department for its modification; similarly, the Military Account Code is under the Government of India in the Military Department; but in both cases the Finance Department would always have to concur in any important alteration dealing with finance or accounts.

340. We have spoken of the method in which the Military Department obtains money: could you tell us briefly the rules under which the Public Works Department obtains money from the Treasury, the limitations or conditions under which it draws?—Funds are supplied to the Public Works Department by means of letters of

credit, against which the disbursing officer, usually an executive engineer, draws cheques. The amount of the letter of credit up to which each disbursing officer may draw, is communicated to the treasury officer by the Accountant-General. The letters of credit are issued monthly on the application of the Examiners of Public Works Accounts; and it is provided that,—

“ The ordinary monthly requisition will be accompanied by a statement showing the grants, expenditure, and balance of the departments as known on the 20th of the month in which the application is made, the object of which is to make the Accountant-General to watch the expenditure of the Public Works Department as against its grants. But the supply of funds should not be stopped from an impression that the expenditure of the department will exceed the grant. If, on checking these statements, the Accountant-General sees reason to form such an expectation, he will report the matter at once to the Local Government for instructions, but will not put the Public Works Department to inconvenience by a sudden stoppage of funds, except on the clearest grounds. If the Examiner asks for funds which he admits to be in excess of the grant, the Accountant-General will exercise his discretion as to whether there are sufficient reasons for granting the credit in anticipation of the sanction of Government. Any such credit should, of course, be at once reported to Government.”

341. The Public Works Department, it seems to me, is a most important one. It may, I suppose, be divided into two heads, viz., the building and maintenance of public institutions, and the execution of great public works and their maintenance. The regulations under which money is issued for the first head, or ordinary expenditure of the Department, are probably simple. But for the second, which involves large capital expenditure, what are the regulations and limitations under which money is supplied?—Whether funds are required for the construction or the maintenance of works, and whether those works are ordinary buildings and roads, or great public works such as railways and canals, the money is issued under the system that I have just described. There is no difference in the system.

342. Can you say in round figures what is the amount of the Public Works Budget?—The Public Works Department spends on the maintenance—would you include interest on debt also in it?

343. Yes, I think so; the whole expenditure?—On railway revenue accounts—I am reading the figures for 1893-94—Rx. 21,832,476; on irrigation, Rx. 2,862,567; on civil buildings and roads, Rx. 4,630,244—I omit the military works, because they are under the Military Department;—and also there is the construction of railways and protective and other irrigation works which in that year came to Rx. 1,191,208. Those together would make a total of about Rx. 30,500,000. Then there is also the capital expenditure on railways and irrigation works not charged against revenue, which was Rx. 3,621,252; so the total would be something like Rx. 34,000,000.

344. The total expenditure?—The total expenditure that the Public Works Department would control.

345. In what manner, from a financial point of view, is the progress of Public Works expenditure tested and watched?—The disbursing officer on each work keeps a cash-book, a measurement book, a muster roll, a contractor's bill, and a daily report, abstracts of which he forwards, immediately on the close of each month, to the executive engineer. That officer compiles them with store accounts, and compares the outlay to date with each sub-head of the sanctioned estimate, and sends to the Superintending Engineer a work slip, immediately on its becoming apparent that the estimate is likely to be exceeded from any cause. He is required to send to the Examiner, by the 20th of the succeeding month, a cash account current, a stock account current, a schedule of receipts and expenditure, list of petty works and repairs, an extract from the contractor's ledger, a schedule of establishment charges, and a list of the vouchers for each item of expenditure. This enables the Examiner to watch the progress of each work; and he submits a monthly return of grants, expenditure, and unspent balances, to the Accountant-General of the Public Works Department.

345a. The Examiner is an officer of the Works Department?—Yes.

346. Is he, so to speak, the auditing officer in the Works Department?—Yes; his duties are those of audit as well as account.

347. Like those under the Accountant-General?—As regards audit, the Examiner holds a similar position to that of the Civil Accountant-General.

348. Does the Public Works Department execute any works for the Military Department, or has the Military Department its own Works Department quite independent?—Military works are under the Military Works Department, except, perhaps, at very small stations, where it is not worth while to keep a separate staff.

349. Under what limitations, and under what conditions does the Military Department draw for its payments?—Funds are placed at the disposal of military officers by annual assignment estimates in their favour, issued to treasury officers by the local Accountants-General, on the application of the Controllers of Military Accounts. The probable cash requirements for each month are specified in the assignments. The treasury officer pays any amount drawn against the assignment, provided that the payments up to date do not exceed the provision made in the estimate for that period. The Controller is responsible that there is sanction for the assignments for which he applies; and the aggregate of the assignments for the current year is reported on the 1st of May to the Military Accountant-General and to the Comptroller-General, who are also periodically informed of any additional assignments.

350. Then there is no occasion there for the treasury officer to object to make a payment so long as the demands are not beyond the sum assigned in the Budget?—Quite so. He will treat it as an imprest or advance to the Military Department within the assignment.

351. And so far there would be no friction on the part of the civil and military officers which we have here described?—No, there would be no friction between the civil and military officers in that case.

352. Would you describe the military authorities in their order?—The Military Member of Council, the Military Secretary, the Military Accountant-General, the Military Controllers in the four commands, the Military Examiners, and the Military Disbursers.

353. Would you explain the functions of the Examiners and Disbursers. Are the former of the character of audit officers, the latter of that of executive officers?—Yes, that is so.

354. The examining officers have no executive functions?—No. They are officers of audit and account.

355. You say in your memorandum that an additional credit may be given on the authority of a district or station order. What officer can give such an order and under what limitations?—The officer commanding a station or district is allowed to give such an order in cases of emergency, when delay in applying for a supplementary assignment would be productive of inconvenience to the public service, and he may obtain an additional credit on a civil treasury on the authority of a station or district order.

356. Without limit?—Without limit; but such a credit must not be applied for except in cases of actual necessity, and the circumstances must, in every case, be reported to the Controller of Military Accounts.

357. Would the civil treasury officer report to his Accountant-General also that such a demand had been made upon him in excess of the assignments?—Yes. (*Mr. Jacob.*) It would come to the Accountant-General's notice in the accounts.

358. His attention would not be specially called to it?—I do not think so. (*Sir Henry Waterfield.*) In every case when an advance is made, it can only be made through the paymaster or commanding officer of the regiment, who will draw the amounts by cheque, supported by the authority of a station order; and the treasury officer has on the same day to send a letter of advice to the officer who has authorised the advance; so that it is at once brought to the notice of the military authorities that such a payment has been made.

359. But then the civil officer who makes the issue from the treasury is not bound to report the fact that this excess has been incurred to his own chiefs?—No, the Civil Accountant-General could not exercise any check, because it does not follow that it is an excess issue on the whole; it may be only an excess in that district or in that province, covered by a saving in another.

360. The Military Controllers appear to discharge very important financial duties. They learn from the military disburser, the actual military expenditure in progress, *i.e.*, the imprests the disbursing officers have

received, the expenditure defrayed out of those imprests, and the balances in hand, and by means of this information they are able to warn the Military Accountant-General and the military member of the progress and prospects of expenditure. Is that so?—Yes.

361. Do the Military Controllers learn early in the month from the Military Disbursing Officers the amount of the military expenditure in the preceding month?—Yes.

362. I understand that by the 20th of the current month they can telegraph the account of the past month to the Military Accountant-General?—Yes, a preliminary account.

363. Your memorandum states that the Military Controllers telegraph on the 26th of the month "the total debits for military expenditure incurred in other departments as received through the Central Adjusting Department." Would you explain rather more fully the nature of this information, and the sources from which it is derived?—Military expenditure may be incurred not only in the Military Department, but also in the Public Works, Post Office, Telegraph, and Marine Departments. Any such expenditure is in the accounts transferred to the Military Department, through the central adjusting account kept by the Comptroller General.

364. Then these are departments outside the Military Department?—Yes.

365. They are not sub-departments?—No, they are other departments, but they may incur expenditure which in the accounts is brought into the army charges.

366. Therefore by the 20th of a month the military expenditure carried on by the military disbursers is ascertained and telegraphed to the central office?—Yes, approximately.

367. By the 26th there is a supplemental account of what may be incurred in other departments?—(Mr. Jacob.) That is so.

368. (Sir Ralph Know.) That is reported as a total, I suppose?—It is the Military Accountant General who receives the report from the Controllers. The Comptroller-General compiles the total military expenditure he has received through the Military Controllers, he also receives statements from the other departments, and transfers into the Military Account any charges that should be reckoned as army expenditure.

369. But what he telegraphs is the total expenditure in the particular district or is it classified in detail, showing the expenditure under all the various heads of military expenditure?—It depends upon which date you are referring to. The first telegram is a total—in the second it is sub-divided. The telegram of the 26th contains the total disbursements of military expenditure incurred in other departments.

370. On the 26th of the following month?—Yes.

371. And then when is the further time?—The telegram of the 26th is the second. On the 20th the Controllers must telegraph to the Accountant-General in the Military Department the total military expenditure by military disbursing officers in the previous month, and on the 26th the total debits for military expenditure incurred in other departments as intimated through the central adjusting accounts.

372. But only the total?—It is only the total.

373. In either case it is only the totals?—Yes, they are only totals.

374. (Chairman.) And the second one is a mere supplemental account?—It is a supplementary account, to be added to the other.

375. (Sir Andrew Scoble.) Is that a grand total or a series of specific totals applying to specific departments?—We are speaking of the Military Department now.

376. In regard to the other items of civil expenditure on military account is the grand total given, or specific departmental totals, applicable to each of these departments particularly?—You mean the supplementary addition?

377-8. That on the 26th?—Yes. I think it is one total.

379. (Chairman.) Shall we not learn this from Sir Oliver Newmarch?—I am afraid it has been altered

since his time. I took this from an order which was only published the other day—in 1894. The words are "total debits"; I think it is a lump sum.

380. (*Sir Andrew Scoble.*) A lump sum?—I think so.

381. (*Chairman.*) Have not the Controllers the power of authorizing a certain amount of extraordinary expense without reference to the Central Government? Is this power sufficient, if freely exercised, to create a noticeable excess in the Military Budget?—(*Sir Henry Waterfield.*) The Controllers have power to sanction expenditure not provided for by regulation up to a limit of Rs. 500 in each case, but not exceeding Rs. 1,000 in any month. The use of such authority is conditional on the amount being covered by the grant under the particular head, for that command during the year; it is merely used to avoid petty references for formal sanction.

382. In fact there being only four military Controllers, it could only amount to Rs. 43,000?—If each used it to the utmost, it could only come to that.

383. Are there any further important periodical accounts in the Military Department, prepared for the Military Accountant-General, or by him besides those based on the information received by the Accountant-General on the 20th and 26th of each month?—I am not sure that there are any other important returns prepared for or by the Military Accountant-General; but a very important series of returns is kept up in the Military Secretariat, of which copies are laid quarterly before the Military Member of Council. These give statements of all expenditure sanctioned during the year, which was not provided for in the estimates, (1) not recurring, (2) recurring in the following year, and also of proposals reserved for consideration with the estimates of the coming year.

384. Then there is no account laid before the Military Member of Council showing from time to time the progress of the military expenditure during the year?—(*Mr. Jacob.*) Yes, he receives the Comptroller General's return showing under each great branch the progress that is going on, which comes to him monthly.

385. And this is sent to him monthly?—It is sent to him monthly.

386. This sums up the whole military expenditure of India?—Yes.

387. For the preceding month?—For the preceding month and for the preceding period of the year; it is progressive.

388. (*Sir Ralph Knox.*) Under eight different heads?—Yes.

389. (*Chairman.*) And how long after date would this be furnished?—A little more than two months. I think the date is probably on it. (*Sir Henry Waterfield.*) You will see the date on the back; I think it is 2½ months.

390. Therefore the Central Military Department has this information by the end of the month following the month to which the expenditure refers? It is in sums total, the statement of the issues for military expenditure up to the conclusion of that month?—Up to the conclusion of the preceding month.

391. I mean the preceding month. Therefore at the end of May we will say the Military Department knows the total of the military expenditure for the month of April, and for any preceding part of the financial year?—You have selected the first month.

392. I have taken a bad month, let me amend it and say at the end of August they know the military expenditure for the month of July and the preceding portion of the financial year?—Yes.

393. But that is only in totals?—That is in totals.

394. About the middle of October the Military Department would get further information for the period to the end of July under separate heads?—Yes.

395. But intermediate between those times they have no information?—They have no detailed information.

396. Is there an account of the military expenditure of the year drawn up by the Accountant-General, after the conclusion of the year, comparing actual expenditure with estimate? Is such an account communicated by the Military Department to the Financial

Department?—I think, in reference to my previous answer, I must make it clear that they have no return of the total expenditure, but they have a return from each Controller.

397. They could put it together?—They could put it together, but it would not have been compiled for them. With reference to the last question, each Controller prepares an Appropriation Report, which he sends to the Military Accountant-General, who compiles them into a report which he furnishes to the Comptroller General, at the same time sending those of the Controllers of Military Accounts. This report is also communicated to the Financial Department of the Government of India.

398. And how long is that after the conclusion of the year? As I understand, the Military Accountant-General, on the basis of the information rendered him by the Military Controllers, draws up an account of the military expenditure for the year, and furnishes that to the Controller-General, through whom it passes to the Finance Department?—I do not see any date mentioned for the despatch of the Military Appropriation Report. The Civil Appropriation Reports are sent in about the beginning of October. I think it must be about the same date.

399. Have you not a copy of a Military Appropriation Account?—I do not think I have; I have only the Comptroller-General's Appropriation Report.

400. Would there be one in the India Office?—I will send round to ask.

401. Would you say that the Military Accountant-General corresponds to the Accountant-General of the Army here?—Yes, I think so; very nearly so. The military accounts are kept by the four Controllers, and all transfers of account would be made in their offices, not in that of the Military Accountant-General, but otherwise I should suppose that the position is very nearly the same.

402. That is to say, he is the head permanent financial officer of the War Office?—Yes.

403. I think Sir Ralph Knox would admit that that is the description of his position?—(Sir Ralph Knox) Yes, I think so.

404. (Chairman.) What happens when the drafts on a treasury threaten to exceed the receipts?—The Accountant-General is responsible for keeping all his treasuries adequately supplied with funds. To assist him in carrying out this part of his duties, he receives each month from each treasury an estimate of the balances, receipts, and expenditure, of that and the two succeeding months, which he checks by the information in his possession as to normal receipts and expenditure and as to any unusual demands. He is thus kept constantly informed of the position of each treasury, and he orders remittances of coin from surplus to deficit treasuries.

405. Therefore, there is no necessity to give a district treasury the power of borrowing?—No.

406. Could you describe generally the accounts which are rendered to the Comptroller-General through the Provincial Accountants-General or by other departments to aid him in checking the progress of expenditure?—The Comptroller-General receives by telegraph on the 8th of each month from each Accountant-General the following totals: on the receipt side Civil Revenue, Civil Debt and Remittance, Forest, Telegraph and Marine and Post Office, Guaranteed Railways, Military Department and Public Works Department, and the opening balance; and for the outgoings, Civil Expenditure, Civil Debt and Remittance, Forest, Telegraph and Marine and Post Office, Guaranteed Railways, Military Department, Public Works Department, and closing balance.

407. Who sends that to him, each Accountant-General?—Each Accountant-General telegraphs it to the Comptroller-General on the 8th of the month.

408. On the 8th of the succeeding month?—Yes. On the 15th, the Accountants-General telegraph to him in greater detail, under the following revenue heads: "Land Revenue"; "Opium"; "Northern India Salt Department"; "Salt, Local Manufacture"; "Seaborne Salt"; "Stamps"; "Excise"; "Provincial Rates"; "Customs"; "Assessed Taxes"; "Tributes of Native States"; "Total Civil Revenue"; "Payments," Interest on Government Promissory Notes"; "Opium Expenditure in India, Bengal, and North-West Provinces, and Bombay"; of "Total Civil

Expenditure"; and then a check figure which is the total of all the preceding figures.

409-10. Those are the accounts which the Comptroller-General receives during the course of the year?—Yes, he gets those monthly; the first sent on the 8th, the second on the 15th of the month. Then the net military issues to each command are also sent to him and the Public Works Receipts and Issues under these heads:—"Telegraph Department, Ordinary Branches, Railway Branches, East Indian Railway," "Total."

411. Then in the course of the year, does he, at the end of three months or six months, or at any other time provide, or is there provided for him, a more elaborate account, the above-mentioned accounts being, as I understand, only totals?—Totals under the above mentioned heads. He shortly afterwards receives an abstract account revising the telegraph figures. That is compiled at the close of the month following that to which it relates, and is in greater detail.

412. And that is all he receives while the year is in progress?—Yes, that is all. (*Mr. Jacob*). I show you a form of the more detailed civil account compiled by the Comptroller-General.

413. Then what is the basis upon which the revised estimate of income and expenditure, which I understand is prepared and issued in the course of the year, is based?—The book of civil estimates which I have put before your Lordship shows the details of the revised estimate; the revision is based on the latest figures of actual expenditure available at the time.

414. We may say therefore that the revised estimate is really based upon the information contained in these monthly accounts?—On accounts drawn up in much greater detail. Each Accountant-General submits an estimate in full detail in the form of the civil estimates, but there is an additional blank page, on which he gives the actual expenditure under every head for eight months or nine months, as the case may be.

415. This is really got out of these monthly accounts?—The total is in these monthly accounts, but these are in much greater detail, and the estimate is framed with reference to the actuals under each detailed head.

416. Therefore you may say his account is complete for eight months, and he forwards that completed account to the Central Financial Department, and on that the estimate is revised?—Yes.

417. (*Sir Ralph Knox*) He sends an estimate of the remaining four months?—Yes.

418. (*Chairman*.) The remaining four months being estimated on the concluding four months of the preceding year?—Yes, and this is also given in the form in which the Accountant-General submits the estimate.

(*Sir Henry Waterfield*) And then, perhaps, the actuals of two months more may be available in the course of the compilation of the estimates.

419. Then after the close of the year, when does he prepare the Appropriation Account—how long after?—For the Civil Account, it is about the 5th October, that it is sent, I think. I have ascertained that we have not any copy of the Military Appropriation Report; I cannot put that before you.

420. And the General Appropriation Report of the Comptroller-General includes also the military expenditure?—Yes, it includes the whole. Shall I hand in a copy of that?

421. I should like you to do (*report put in*). And that Appropriation Report is prepared within about six months of the close of the year?—The Comptroller-General's report is prepared nearly 12 months after the close of the year, but the Appropriation Reports of the several Accountants-General, from which it is compiled, have been prepared about six months before.

422. Are they published?—No, I think not.

423. You have something like six months to prepare your Appropriation Report?—(*Mr. Jacob*.) No, I get the appropriation reports of the Civil Accountants-General in October, and I submit my own report in February; that would give about four months perhaps. I find the date prescribed for the submission of the Military Appropriation Audit Reports is "the 15th, but under no circumstances later than the 25th September."

424 They have to be ready by that date?—They have to be submitted to the Military Accountant-General by that date.

425. The Military Accountant-General is not responsible for the drawing of them up?—He compiles his own report from them.

426. But they come from the Military Controller?—Yes, they come to him from the Controllers.

427. By the 25th September?—By the 25th September.

428. And he prepares a compiled account?—Yes.

429. And at what time does he send it off to the Comptroller-General?—It reaches him about November.

430. So he has some three months to make his account up?—Yes.

431. And I suppose, without going into detail, something of the same kind of rule applies to the Public Works Department?—(Sir Henry Waterfield.) Yes, I think so.

432. The Public Works Department do prepare a separate Appropriation Account?—(Mr. Jacob) Yes.

432a. Now what is the account which the Comptroller-General prepares for the information of the Finance Minister. I want to compare his account with what is done here. The Chancellor of the Exchequer relies on receiving on Monday afternoon—I think I am right—an account under the general heads of Army, Navy, Debt, Civil Service, and so forth of the issues from the Exchequer on the one side, the receipts on the other side, and the balance of account up to the Saturday night previous; and that is the standing account upon which he works. I think I am right in saying that every month during the year he gets an account for the completed portion of the year, and another for the quarter. Is the Finance Minister in India furnished with any account at all corresponding to that?—On the 9th of the month following the month to which it relates he gets this statement (*statement put in*).

433. That is sent to the Finance Minister?—It is telegraphed to him if he is at Simla, and it is given to him if he is at Calcutta.

434. And that is for the previous month?—Yes.

435. It does not give the previous year; it is for the current year?—No, it compares the actual expenditure with the Budget, there are columns for that purpose as you will see.

436. But is it made up to date? Here would be two months of the financial year; does this statement include two months?—Yes, it gives both the expenditure for the month and the progressive total, and compares both with the Budget.

437-8. It is not a balanced account; is it?—Yes.

439. What is progressive?—The figures under "Progressive" are for the past months in the year.

440. Oh, you divide the statement into two heads, current and progressive?—Yes; current is for one month, and the progressive is for the months of the year that have elapsed, including that month.

441. And, therefore, the Finance Member of Council has no source of information, except that supplied by the Comptroller-General; and the Comptroller-General gives him, within nine days of the close of the month a monthly account?—Yes.

442. He gets no weekly accounts?—No.

443. On the 15th he gives him this other account?—On the 16th generally; it is prepared on the 15th, and gives further details, including the actuals under each of the principal heads of revenue, both for the previous month and the progressive.

444. (Sir Ralph Knox) Those are compiled from telegraphic reports from the different Accountants-General?—Yes.

445. (Chairman.) At the close of the quarter is any more elaborate account prepared?—A civil account is prepared at the end of the following month.

446. That is still more in detail?—Yes, that gives every major head.

447. Does the Financial Member receive any information from officials who understand, and who are watching the progress of the revenue side as to what progress is and the reasons for that progress or, it may be, falling off of revenue?—Yes, from the great Imperial Revenue Departments, such as the Salt Department, the Finance Member receives statements during each month.

448. But this is a point upon which I have been asking some questions previously. There will be some

difficulty in getting information from the Customs, Excise, or Stamps, because there is no central authority to collect information such as our Board of Customs and Board of Revenue?—On the same date that the account of which I have just spoken is submitted, on the 16th, the Finance Member receives these statements from me giving details for every principal head for each province (*statement put in*).

449. This relates to opium?—Statements for all the heads are there, Land Revenue, Opium, Salt, Stamps, Excise, &c.

450. All are here?—Yes, there is a statement for each of them, and they come from each province.

451. I see there is no comment upon these figures?—No, these are solely the figures.

452. And, except in the case of Opium and Salt, you may say there is no officer who is in a position to describe the reasons for the increase or falling off of revenue?—No.

453. We will take a very important measure passed in England, such as the alteration of the death duties. Last year at the close of each quarter the Chancellor of the Exchequer would have received, as a matter of course, an account coming from the Inland Revenue showing under each head the progress of the different taxes, and a short account of the reasons for any increase or decrease; and he would thereby have learned from the officers who were actually engaged in carrying out the law, the manner in which this new law was working. I have heard that the Finance Member of Council does not get such assistance in the course of the year from what I may call the Revenue Department?—If there is any difference from the Budget estimates in any province, I should call upon the Accountants-General to explain why the revenue was coming in more slowly, and I should ordinarily do it by telegraph. The Accountant-General would be in communication with the local heads of departments, and would be able to give such explanation as they could afford.

454. That would come by your asking; it would not come automatically?—The Accountants-General are told to explain any considerable difference when they send up the figures.

455. But the Accountants-General themselves have not necessarily information; they must go elsewhere?—They must get it elsewhere.

456. In fact, be the Indian system sufficient, or be it insufficient, there is no centralised revenue authority who can immediately give information upon these revenue questions in the same way that our Board of Inland Revenue can here?—I am not quite sure about that; the principal revenue heads are provincial in India, and the Local Governments receive these returns at the same time that the Government of India does. They, being responsible for the principal revenue heads, would ordinarily at once take up any questions that may arise out of them. Of course, the Government of India cannot go into the details of every head of revenue in every province.

457. In fact it is the case that there is no person who at all corresponds in India to the Chairman of the Board of Inland Revenue or the Chairman of the Board of Customs here; a man who ought to have all the information under that department in his hands and ready to produce it at any moment, sitting there at head quarters watching it day by day, knowing the policy of the Government under which it is carried out, and testing results by that knowledge?—For each province there is such a man.

458. In Bombay?—In Bombay there is a Commissioner of Customs, Excise, and Opium.

459. There is?—Yes, and in Bengal there is a Board of Revenue, and in the North-West Provinces also; each of these would know all about any particular head of revenue in the province, and each province is a very large unit.

460. Therefore the Finance Member of Council could, either directly or through the Accountant-General of the Province, communicate with the Board of Revenue, or the responsible head of the Revenue Department, and learn what the progress of the revenue was, and the reasons for any rises or falls?—Yes.

461. (*Sir Ralph Knox.*) Is that in every province?—That is in every province. (*Sir Henry Waterfield.*) He would do it through the Local Government Confidentially, he would very likely inquire from the officer himself.

462. (*Chairman*) Passing now to the question of audit, would you describe in like manner the process of examining and reporting on accounts in the Public Works Department; who the examining officers are and

where stationed; how and when accounts reach them; to whom and in what form they report the result of examination; whether they report irregularities or cases in which the assent of the Finance Department, if necessary, has not been obtained, and whether their reports and criticisms are communicated to the Finance Department?—There are 45 examiners at the headquarters of the several provinces and chief railways.

463. Will you explain how the expenditure is examined?—It is by the examiners.

464. In the army they have Controllers who are engaged, you have told us, solely in examining these accounts?—Yes.

465. Then how do these accounts come before you?—(Mr. Jacobs.) You are speaking of the Military Department now?

466. Yes; the Military Department?—The disbursing officers in each case will send up their accounts. They are required to submit their cash and store accounts to the examiners of accounts at such periods during the month as may be prescribed by the controllers, and they are responsible for submitting the accounts in the prescribed form. That is the duty of the disbursing officers. They must send up their accounts to the examiners at a given date which is prescribed, and then the examiners at once begin to audit these accounts.

467. And have those examining officers every access to the books of the department, from which the accounts are extracted?—I should say so, certainly. Yes.

468. Then these examining officers are purely audit officers, and they know nothing whatever of the expenditure until these accounts are sent in to them?

469. (Sir Ralph Knox) Do the disbursing officers apply any check before they make a payment?—The disbursing officers can only make payments under the rules laid down.

470. Then they examine the vouchers to see that they are in accordance with the rules when paying?—They examine the demand, and if it is not according to regulations they will not pay. In many cases the demand bill is pre-audited by the pay examiner before it is passed and paid.

471. They pay on the order of the examiner?—Yes, in some cases.

472. (Chairman.) I thought I had understood that monthly accounts were sent for payment?—Yes, the accounts come up monthly. But individual bills—for instance, the salary bill of the commissariat officer—would be sent to the pay examiner at the end of the month, for which pay is due, and he would examine, pass, and return it, and it would then be paid by a cheque on the Treasury. (Sir Henry Waterfield.) There is pre-audit as well as post-audit.

473-4. Exactly. Then I suppose the examining officer can only examine what the disbursing officer chooses to send to him to examine?—(Mr. Jacob.) Yes, but if any sum has been drawn from the Treasury, the disbursing officer must send to the examiner a voucher showing the amount and the account on which it has been disbursed.

475. (Sir Ralph Knox) But would the examiner examine the pay list for instance in the first instance, before he ordered the disbursing officer to issue the cash?—The pay of a regiment you mean?

476. Yes?—Yes.

477. He examines in detail and then sends to the disbursing officer to pay?—Yes, that is the procedure in the case of pre-audited bills.

478. (Chairman) Do I gather that these examining officers are all at the head quarters of the Controller or are they scattered over the different places where the troops are?—They are all at head quarters, except in the case of Bombay and Rangoon. Poona is the head-quarters of the Bombay command, and the Controller is there; but for the convenience of officers embarking and landing there is a special paymaster at Bombay.

479. Does it not cause some awkwardness if the examining officers are situated at one place, and the principal audit which you have mentioned is carried on at another? Does it not mean sending a certain number of accounts for examination before they fall due?—Yes; that has to be done, of course. That procedure is followed chiefly in the case of salaries and establishments.

480. Then when the examining officer has examined the monthly accounts, does he report the result to the military Controller of the province?—Yes; he is the

assistant of the military Controller; he is really part of his office.

481. He is the head of the office?—Yes, the Controller is the head of the office.

482. And does the Controller send this audited result up to the Military Accountant-General?—No; he does not send any monthly audit report to the Military Accountant-General. He is the final authority so far as the audit is concerned, unless anybody appeals.

483. And he does not do anything until the year is passed?—Oh, yes, every month, on the monthly accounts.

484. But he does not send at all to the Military Accountant-General and the Central Military Department until the estimates are prepared?—He sends the body of the account, but he does not send any detailed report.

485. He sends in the account, but no report?—Yes.

486. Therefore, the Military Accountant-General knows the result of the audited account?—Yes

487. Probably these accounts of which you have been speaking were two months after date, or something of that kind?—Yes.

488. Now, would the military examiner, when the monthly accounts are before him, note any case in which an order had been made for expenditure not provided for in the Budget, or not specially sanctioned and for which the sanction of the Government had not been previously obtained?—(Sir Henry Waterfield.) He would retrench any undue charge at once. In case of doubt he has to refer to the Controller.

489. But I presume the examining officer would not trouble himself about the sanction of the Finance Department, would he?—(Mr. Jacob) Oh, yes, he would.

490. Though he is a military officer?—Yes.

490a. Not being one of your officers?—Yes, it would make no difference.

491. And also the sanction of the Secretary of State?—The objection in that case is made through the Controllers. If it was a question of over-payment of salary to an officer, the examiner would act at once.

492. (Sir Ralph Know) Supposing an objection to be made, has the Controller power to decide whether the demand shall be passed or not?—Yes, he decides absolutely.

493. (Chairman) You say the stores accounts are sent by the disbursing officer to the examining officer. What check does the examining officer apply to the stores account, and by what agency does a survey of stores in stock take place, so as to ensure that the stock agrees with the account?—(Sir Henry Waterfield.) There are very careful rules laid down about the stores. Rules are given, varying according to the Department. I am taking now the case of the Commissariat Department. They require monthly returns of (a) the stores and transferable dead stock; (b) returns of surplus gear and uniform clothing in stock; (c) return of grass; (d) return of hospital stores and equipment; and (e) returns of reserve stock. And it is provided that "In auditing commissariat store returns, the following points will be attended to:—

- "(1) That the returns have been countersigned by the chief commissariat officer.
- "(2) That corrections promised in replies to objection-statements have been made
- "(3) That stores other than those to be accounted for are not shown in the return.
- "(4) That the opening balances agree with the closing balances of the previous month's return.
- "(5) That each entry of receipt and issue, which in accordance with regulations should be supported by a voucher, is so supported, and that the transactions shown in the vouchers agree with the corresponding entries in the return.
- "(6) That the calculations in the returns and vouchers are correct.
- "(7) That the periodical verification reports of stores and stock, as prescribed by regulations, are duly furnished, checked with the returns on record, and transferred to the Commissary-General with a statement of discrepancies noticed."

494. Then I suppose that there are regulations for the survey of stores, so as to ensure the actual votes being in correspondence with the accounts? I suppose these Military examiners only examine the accounts, and are satisfied by the signatures on the accounts, that the stores are really there?—Yes, but I read: "That the periodical verification reports of stores and stock, as prescribed by regulations, are duly furnished." Those regulations lay down how the examination of the stores shall be made.

495. Quite so, but the examiners have nothing to do with them?—(Mr. Jacob.) No.

496. (Sir Ralph Knox.) They see that a report is furnished to the effect that some officer has verified the stores with the account?—(Sir Henry Waterfield.) Probably a regimental officer, I suppose.

497. Board of Survey?—Yes, a Board of Survey.

498. (Chairman.) Would you describe in like manner the process of examining and reporting on accounts in the Public Works Department. I think you practically have told us that in telling us the strength?—The accounts of the several engineers are sent monthly to the examiners, who audit them and report to the Accountant-General if necessary on any point. They would certainly report to him if the sanction of the Finance Department had not been obtained, and, as in the Military Department, they at once disallow expenditure not duly sanctioned. The compilation of the accounts by the Accountant-General in the Public Works Department is furnished to the Finance Department.

499. And therefore the Finance Department, both in this case and in the case of the Military Department, is informed of the criticisms made by the examining officers?—So far as those criticisms have to be passed on, but many of the examiner's criticisms may have been settled at once.

500. And so they fall, of course?—Yes.

501. Are there any other departments in which there is a separate staff for the examination of expenditure, to which you would wish to call our attention, in order that we may fully understand the extent to which, and the manner in which, accounts of expenditure are examined in India?—There are other account departments; the Forest and Postal Accounts Departments are under the Comptroller-General; the Marine under the Military Accountant-General; and the Telegraph under the Public Works Accountant-General. But they all have their own accountants or examiners, whose accounts are sent to the Comptroller-General or Accountant-General, as the case may be.

502. Of course, for those under the Comptroller-General he can lay down his own rules?—Yes.

503. Having now learned the nature of these accounts, I would like to ask whether the Comptroller-General is an executive as well as an auditing officer?—Yes.

504. Who are the officers through whom the Comptroller applies his audit (1) in the treasury at head-quarters, (2) in the provinces?—The work of audit is primarily applied through the Accountant-General of the provinces and the Departmental Account Officers; but at head-quarters the Comptroller and Auditor-General is assisted by one deputy comptroller-general and two deputy auditors-general, and three assistants, besides a large staff of superintendents and clerks. I think I gave the number in a former answer.

505. Has he in each province an account office at head-quarters, the officers of which examine in detail the accounts of the Civil Treasuries; or has he an officer visiting each treasury, independent of the officer in charge of the treasury; and does he by means of that officer examine in detail the accounts of the treasury?—In each province the Accountant-General, who is an officer under the Comptroller-General, examines in detail the accounts of the civil treasuries, special officers being set apart for the purpose; the auditing officer examines the vouchers at the central office, and would not go to the district treasury unless the accounts showed some reason to suspect malversation. That step has, however, been taken occasionally by the Accountant-General; but it has been ruled that the revenue authorities are responsible for the detailed control of each treasury. It is not the Accountant-General who is primarily responsible for the treasury officer; that rests with the revenue authorities.

506. Because the officer in charge of the treasury is under the collector?—He is an officer of the collector's establishment.

507. Still, it is the function of the Comptroller-General to see that these accounts are audited, and to get the results?—Certainly; I was referring rather to the check on the treasury officers.

508. And are the auditing officers under the Accountant-General in a province his own officers—or are they the officers of the revenue authorities?—The auditing officers are officers of the Accountant-General's office.

509. And, therefore, officers belonging to the Comptroller-General?—Yes. (*Mr. Jacob.*) It is provided that the inspection reports of the land revenue officers shall always be sent to the Accountant-General, and the Comptroller-General has drawn up a list of questions with the view of bringing to their notice the important points to be noticed in the inspection of a treasury.

510. Do these examining officers send their accounts, with their reports and criticisms, to the Accountant-General of each province? and how long after the close of each month is it before the audited account of each treasury for the month is furnished to the Accountant-General of the province to which the district belongs?—(*Sir Henry Waterfield.*) The examining officer is, as I said, a clerk in the Accountant-General's office, and at once places in the objection book any charge which is not duly sanctioned, thereby bringing it to the Accountant-General's notice; and it is specially laid down that the Accountant-General is to pay constant attention to this book, which is formally reviewed once a quarter. The audit of each month's payments is carried on immediately, so as to avoid the repetition in the next month of any error that may have occurred.

511. Therefore, all the criticisms or disallowances which are not settled at the time are sure to come on to the Comptroller-General through that objection book?—They come to the Accountant-General, and if he is not able to settle them they would go on to the Comptroller-General. (*Mr. Jacob.*) It is very seldom that any audit question comes to the Comptroller-General.

512. They are all settled by the Accountant-General?—Yes.

513. But the Accountant-General only settles them by delegated authority from the Comptroller-General?—No; he is the primary auditing officer.

514. Then what security is there that an officer, who, although a high officer, is a subordinate officer, may not give erroneous decisions in not disallowing certain charges?—It is for that purpose that I have the two Deputy Auditors-General. I send them round to all the offices in India, they test the accounts for two or three months, and bring to my notice any doubtful questions.

515. That is the test audit mentioned in the memorandum?—Yes.

516. They may be said to be the Comptroller-General's detective staff?—Yes.

517. There is then really no monthly audit report; the monthly audited account comes to you from the Accountant-General, but no remarks upon it?—No, it is the account, without any remarks.

518. But then what is done with an objection entered in the objection book if the Accountant-General is not satisfied on the point? Does he not send it up to you?—Yes, if he were in doubt he would refer the question to me; but as a rule objections get removed by correspondence.

519. The accounts of civil treasuries, I suppose, only give the issues of imprests from these treasuries for Military or Public Works expenditure, and show whether those issues have been made in accordance with the regulations of the service?—Yes.

520. If so, the Comptroller-General can only learn whether the actual expenditure of the Military and Public Works departments is in every respect regular, through the reports of the Military and Public Works Examining Officers. I think that follows from an answer which you made to the effect that even if a civil treasury officer pass an account in total for the military department, he still treats it as an issue to the department to be accounted for by the department?—(*Sir Henry Waterfield.*) Yes, the Comptroller-General has the means of knowing, through the reports of the Civil Accountant-General, that the total expenditure is within the budget or supplementary sanction; but he depends on the auditing officers in the departments for information as to the regularity of the details,

and then, as Mr. Jacob was saying just now, he has that check, that he deposes from time to time one of the Deputy Auditors-General to examine the office account.

521. When the Comptroller-General has all the accounts of the year before him, does he then draw up a general audited account of the expenditure of the Empire for the year, accompanied by a report on each branch of expenditure, corresponding to the Appropriation Reports of the Comptroller and Auditor-General here? The detailed reports correspond more or less to the report of the Comptroller and Auditor-General in England; but the final report of the Comptroller and Auditor-General is not of the same minute character. You will see, from the copy before you, that it is more in the nature of a review, comparing totals under each head with the Budget estimate and the expenditure of the past year.

522. That hardly answers to an audit report; it is more the report of an executive officer, is it not?—It is compiled from the audited accounts, but it does not exactly correspond to the Appropriation Report of the Comptroller and Auditor-General in this country.

523. The Appropriation Report is essentially the report of a critic, or ought to be?—Yes.

524. And I gather that this does not correspond to it?—This is more in the nature of a review, I think. (Mr. Jacob.) It brings to notice any case in which any sanctioned expenditure, or expenditure not provided for in the Budget, has been allowed.

525. Could you show an illustration of the manner in which the criticism is drawn up?—It is very seldom that the expenditure does exceed the sanction.

526. But I think the criticisms of an auditor would be addressed, not so much to excess upon the estimate, which no doubt he would note, but to cases in which in some respects an irregularity had occurred. It is very rare that you find an expenditure getting on to 70 or 80 millions?—Ninety millions.

527. With no irregularities, even venial irregularities?—Yes. This report of course does not draw attention to irregularities.

528. Then I think we must come to the conclusion that for India you have no Appropriation Report of the same kind as the Comptroller and Auditor General draws up here on the expenditure?—I do not know exactly what is the object of the report of the Comptroller and Auditor General here.

529. The Comptroller and Auditor-General, being entirely independent of the Executive, with full access to the books of the Executive, examine the account of expenditure under each vote submitted to him by the Department responsible for that vote, and guarantees the correctness of that expenditure on his responsibility by his signature. Then follows the report in which he calls the special attention of the House of Commons to any irregularity which he has found in the account. He has not, like you, the power of disallowance, and he can only report to Parliament irregularities for disallowance. Every vote of Parliament has such a report appended?—Then does not that account for the difference in the Appropriation Reports? I mean that the Comptroller and Auditor-General here has no power of disallowance, and consequently he must report the irregularities; the audit officers in India disallow at once, and so there really are no irregularities to report.

530. Yes, but then observe that that implies that they have power of allowing; and inasmuch as the auditing officers in India are also executive officers, the natural criticism one would make is, have you sufficient guarantee that items are not passed which ought not to be passed?—Yes. I think my test audit gives me a sufficient guarantee of that, and the report of each account officer is submitted to the Finance Department of the Government of India, with my comments appended.

531. Yes, but still you depend on a test audit for that guarantee; you can only guarantee it so far as your test audit enables you to form an opinion?—Yes, that is all.

532. But further than that, as I understand it, you do not present to the Indian Government any audit

report of the nature of the Appropriation Report of the Comptroller and Auditor-General here?—No, it is not in the same form; it is an appropriation audit report; it shows that there is sanction for every charge that has been incurred.

533. But it does not deal with irregularities?—No, not in that way. But the test audit reports do; I have found out errors sometimes through them.

534. What do you do with those test reports?—I pass orders on them, and require the account officers to explain; I also submit a copy of them to the Government of India, and finally when I get the explanations of the account officers, I refer again to the Government of India if necessary.

535. Have you one of those at hand?—I am afraid I have not. These test audit reports are very thorough; they run to 160, 180, and 200 paragraphs.

536. And these test audit reports go to the Government of India?—Yes; they are submitted to the Government of India *in extenso*.

537. With your comments upon them?—With my comments upon them.

538. Then whose is the final voice upon such irregularities as you have called attention to?—Well, if my decision was disputed, the question would be referred to the Government of India.

539. Your decision is final; but if the Commander-in-Chief, for instance, were to appeal against your disallowance of some payment made in the Military Department, the appeal would lie to the Government of India?—Yes.

540. And the Governor-General in Council would pass or disallow that item?—Yes. I never remember any case in the Military Department; but I remember there was a case in the Public Works Department, in which certain salaries had been passed which required the sanction of the Secretary of State. I ascertained it only by my test audit, and the Secretary of State's sanction was obtained.

541. Would there be in any case reference to the Secretary of State, or in case the Governor-General in Council did not choose? Could the Finance Member of the Council, for instance, insist upon one of your reports being sent to the Secretary of State?—I could insist upon it.

542. You could?—Yes.

543. (*Sir Donald Stewart*.) It has been done, I think, quite recently?—Yea. (*Sir Henry Waterfield*.) I have a list of the instances where such references have been made. I think you will see that they are petty.

544. (*Chairman*.) Perhaps you will hand in the paper. But could you give us briefly what the cases are?—The final orders relating to the audit of expenditure requiring the Secretary of State's sanction were given in 1890; and the first case arose in 1892—the grant of free quarters to two officers whose salary exceeded 5,000 rupees; it was a question whether the grant of free quarters was an increase of salary or not; and the auditing officer held that he could not pass it; although the Government of India held that that was not an increase of salary, the auditing officer declined to pass it; the Secretary of State agreed that the Government of India might exercise discretion in such cases. The next case, in November 1892, was where expenditure on the East Coast Railway had taken place before the estimates had been sanctioned by the Secretary of State; in order to save time the Secretary of State had given his authority for the construction of the railway, but the estimates had not been formally sanctioned by him; the Government of India had provisionally sanctioned the estimates, but had called for a report on certain points before they submitted them for approval; Lord Kimberley held that the auditor's objection was justified in that case. The next case, in April 1893, was a personal allowance to a deputy native magistrate, on his transfer to superior civil service; the Secretary of State confirmed that allowance. The next was temporary continuance of the post of deputy inspector of cattle disease in Madras after the death of the person whose appointment had been originally sanctioned; the auditor said it was a personal allowance and not one for the office; the Secretary of State then confirmed it for one year. The next was a case where the Lieutenant-Governor of

Bengal had agreed that gas might be supplied gratis to the official residence of the Commissioner of Police at Calcutta; the auditor said that that was an indirect increase of his salary, and therefore must receive the Secretary of State's sanction; the Secretary of State held that the Government of India could have passed it on their discretion, but, as it had been brought to his notice, he considered that it was an improper grant, and it was discontinued. The next was a case of an officer sent to Gilgit to replace one who had accompanied Dr. Robertson to Chitral, and while at Gilgit was allowed to draw a deputation allowance of 20 per cent.; that was not within the regulations, and it had to be referred for the confirmation of the Secretary of State. The next was the case of the private secretary of the Governor-General, who had been allowed during illness to draw his pay as if he had been present in the appointment; it would have been permissible if he had been in the Civil Service, but an outside officer as he was there was no regulation to cover it; that was confirmed by the Secretary of State. The next was the case of the emoluments of an officer of the Bombay City Police, who was employed on special duty in connection with the forgery of notes in a native State, and he was allowed some addition to his salary to cover expenditure while on tour; that again, it was held, ought to have the Secretary of State's sanction. And the last case which I have was that of the linking up of the metre gauge railway systems in Northern India, where again the expenditure was challenged, as the estimates had not been approved by the Secretary of State, being under revision. In almost all those cases it was a mere question of whether a formal approval had been given, but it shows, I think, that the auditing officers are careful to draw attention where the forms have not been complied with.

545. In the correspondence which followed the inquiry of 1880 reference is made to an appropriation account prepared by the Comptroller and Auditor-General which it was said might be published and about which there was a discussion as to whether it should be submitted to the review of a Committee in England. I was always under the impression that that was a report more or less in the nature of the appropriation reports to which we are accustomed here. I gather now that there is no such report, and that the appropriation report in question is different in its nature from that which the Comptroller and Auditor-General in England draws up, which is a critical review of every irregular financial act of the Executive Government during the year. I think—I am anxious to understand clearly—that there is no such critical report drawn up?—It is not of the same nature. It is, however, a report by an officer who is quite independent in his auditing capacity.

546. That I quite understand; and of course the question whether he is sufficiently independent is one that may come up for subsequent consideration. But for the present I gather that you have not for India a report of a critical nature and drawn up by an independent critic such as we have in England?—No, we have not. But I think, as Mr. Jacob has explained, it would be impossible to draw it up for the reason that those criticisms have already been acted upon during the year; the criticisms have been made by the auditing officers, and have been acted upon from time to time, and sanction has been given to the expenditure. So that the irregularities no longer remain in the accounts.

547. As an illustration of my point I may say that on one occasion in this country a great irregularity took place—a high officer in the public service—(there was no accusation of his taking the money himself)—spent upon telegraph extension large sums of money which Parliament had not granted. I refer to what is ordinarily known by the name of the Telegraph scandal. If there had not been the Standing Committee of the House of Commons appointed to examine the reports of the independent auditor, I doubt whether Parliament would ever have been fully seized of this very grave irregularity. Now, of course, those things happen very rarely, but I do not quite see in the Indian system as it stands now, that there is absolute provision for such a case because there is no provision for a critical report, or for an independent examination of the auditor's report?—(Mr. Jacob.) But the account officer would have stopped him at once. In India the audit

is complete at the end of a month. It could not have gone on for more than a month; in fact, he could not have got any money to spend. (*Sir Henry Waterfield.*) I do not see how on the Indian system he could have spent the money.

548. That is satisfactory to know. But still what I want to point out is that, supposing the irregularity to take place—if it had not happened we should have thought it almost impossible—the great security that Parliament has is that the independent Auditor-General by his critical report makes it quite certain that it will be known and brought to justice. I do not see as it stands that there is that provision in India—it may not be necessary—that I am not considering now—under your appropriation audit?—(*Mr. Jacob.*) But is not the case this? The Comptroller and Auditor-General can only apply his audit in England, say one and a half years or two years after the expenditure has been incurred.

549. Oh, no; to the monthly accounts—at the end of the year?

550. The monthly accounts go monthly to the Comptroller and Auditor-General?—His report is not submitted month by month?

551-2. No, that the law does not require, because the Army and Navy accounts coming from distant parts, at the time the Audit Act passed, a very considerable margin of time, perhaps too great a margin, was left. But the Appropriation Report is laid before Parliament within 11 months?—(*Sir Henry Waterfield.*) Within 11 months of the last month of the year it relates to. It may be 23 months from the time in which some money has been misappropriated, if that has occurred early in the year.

553. It does not pretend to be preventive?—In the case to which your Lordship refers there must have been some other special means of obtaining money which could not in an ordinary case arise.

554. Of course the telegraph scandal was a case of an irregularity in the Post Office, and the Post Office had very large balances passing through their hands, especially for Post Office Savings Banks, which it was the duty of the officer to send forward for investment directly. It was in the nature of capital expenditure, and was an illustration of one of the dangers of a loan service?—Yes. But then in India the capital expenditure is checked equally with the ordinary expenditure. The officer could not have there obtained sums of money in the manner you describe.

555. I am only giving an instance in which, gross irregularity having happened, it was detected through the fact that there was an independent officer and an independent critic.

556. (*Mr. Buchanan.*) You would say your test audit would detect that at once?—(*Mr. Jacob.*) In the first instance the Accountant-General would detect it within a month of the expenditure having occurred, and would not only detect it, but would actually have taken whatever steps were necessary for stopping any irregularity, and he would not have to wait for 11 months or until a report was presented to somebody else; and also, if it escaped the attention of the account officer, my test audit would give me a means generally of ascertaining if there was any such irregularity.

557. (*Chairman.*) I think you should say "might," because this audit only covers a small period of the whole account. Of course, it does not follow that detection would be certain?—But does not the Comptroller and Auditor-General in this country work only by a test audit?

558. With regard to the great services he accepts the statements of the examining officers, applying detailed audit to a certain portion of it at his own will. I am not in the least arguing that the same kind of thing would happen, but there are different kinds of irregularities; and what I understand from you is that,

whether it is right or whether it is desirable to mend it, the Indian appropriation account does not represent, like our appropriation accounts do, a criticism on each head of expenditure by an independent critic, and there are no documents to prove that such criticism is not needed?—(*Sir Henry Waterfield*.) I think it must be admitted that you are right—that it is not the same.

559. (*Sir Ralph Knox*.) Do not the objections of the local Accountants-General or disallowances by them come up to you at all?—(*Mr. Jacob*) No.

560. They do not reach you?—No.

-(The witnesses withdrew.)

[Adjourned till to-morrow at 11 a.m.]

Confidential.

INDIAN EXPENDITURE
COMMISSION.

At the India Office, S.W.

SECOND DAY.

Wednesday, 6th November 1895.

PRESENT.

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).
THE RIGHT HON. LEONARD COURTNEY, M.P.
THE RIGHT HON. W. L. JACKSON, M.P.
SIR WILLIAM WEDDERBURN, Bart., M.P.
FIELD MARSHAL SIR DONALD STEWART, Bart.,
G.C.B., G.C.S.I.
SIR E. W. HAMILTON, K.C.B.
SIR RALPH KNOX, K.C.B.
SIR JAMES PEILE, K.C.S.I.
SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
MR. G. L. RYDER, C.B.
MR. T. R. BUCHANAN, M.P.
MR. W. S. CAINE.
MR. DADABHAI NAOROJI.

MR. COLING CAMPBELL, *Secretary.*

SIR HENRY WATERFIELD, K.C.S.I., C.B., and
MR STEPHEN JACOB, C.S.I., recalled and further examined.

561 (*Chairman.*) Mr. Jacob, I think you have a list of banks that you wish to hand in?—(*Mr. Jacob*) Yes, that is it (*document handed in*).*

562. Then, Sir Henry, there was the question of putting in a paper about dissents which had been made?—(*Sir Henry Waterfield.*) Yes. I have not had time to make a complete search, but I think those that I have found will enable the Commissioners to understand the manner in which that power of dissent is used by the Financial Member of Council. I found that in 1885 Sir Auckland Colvin and Mr. Ilbert dissented from the proposal to increase the strength of the army. That was a measure affecting finance.

563. What year was that in?—It was a dissent from the increase proposed in the strength of the army in 1885, and they demurred to it strictly on account of its financial effect. In the following year, 1886, Sir Auckland Colvin dissented from the proposal to construct the Bengal-Nagpur Railway, regardless of the financial burden caused by the fall in exchange; and I found that in that case the Viceroy stated that he was disposed to concur with his financial advisers, but the majority of the Council were in favour of constructing the line at once. Then I pass on to 1893. (I do not mean to say that there may have been no such dissents between those dates, but I looked in the later years.) In that year, in March, Sir David Barbour and Sir Charles Pritchard dissented from the proposal to accept in the Budget an increased amount for military expenditure, it was proposed to take some definite sum as what could be afforded, and they considered it higher than was prudent. Sir David Barbour, also, objected to give exchange compensation allowance without waiting for the Secretary of State's decision on the currency question. In November of the same year, 1893, Sir David Barbour dissented from the proposed extension of the limit up to which money might be spent in the coming year on the construction of railways and irrigation works; there, again, the majority of the Council was against him. Then, as an instance of what happens in minor cases, when a member of the Council does not think it necessary formally to record a dissent—

564. I beg your pardon, these are formal dissents, which came on to the Secretary of State?—Yes, all or them;

* See Appendix.

but, even if a formal dissent is not recorded, the Government of India in their despatch mention the fact of the divergence of opinion. They said, in October 1892, that Sir David Barbour dissented from the proposal to obtain in England recruits for the police; I am not quite sure whether he dissented on the question of policy, or whether he thought it was a more expensive plan than should be adopted. Then in 1894, Sir James Westland dissented from the grounds on which the amount of furlough pay for a certain officer was to be fixed; though on other grounds he did not object to giving the proposed amount; but he thought it necessary to have it recorded that he did not agree with the reasons for which it was given. A week afterwards he objected to a certain pension which was recommended, because he considered it was not authorised by the regulations; in this case no dissent was recorded, but the fact was stated that the financial member did not agree.

565. In the case of formal dissents, which are communicated to the Secretary of State, does the Secretary of State take any notice of the fact that a dissent has been recorded?—He would, in a case of any material importance; he certainly would comment on that fact in his despatch in reply.

566. (*Mr. Courtney.*) But it does not come before him in the way of appeal, but by way of record?—By way of record. It is one of the official papers which the Government of India send to him, to enable him to form his opinion.

567. (*Chairman.*) And of course the Secretary of State with the dissent before him might consider whether the reasons for the dissent were so weighty as to induce him to call for reconsideration of the decision?—Certainly he might do so. He might agree with the dissenting members rather than with the others.

568. (*Mr. Courtney.*) One Member of Council with the Viceroy dissenting constitutes an appeal?—The Finance Member of Council with the Viceroy. It is a special provision laid down in the case of the Finance Member.

569. No action is taken until the appeal is heard?—That is so.

570. (*Mr. Buchanan.*) Did the Viceroy concur in any of those appeals on the part of the Financial member of which you have spoken?—In the case of Sir Auckland Colvin's dissent from the construction of the Bengal and Nagpur Railway, it was so stated, but not very positively; the Viceroy said that he was disposed to concur. It was a very doubtful matter whether the railway should be pushed at that moment, and he was disposed to concur with his financial advisers that the situation did not admit of its construction at that time.

571. It was not a formal dissent by the Viceroy, and the Financial Member, appealing to the Secretary of State. No, it was not.

572. (*Sir Andrew Scoble.*) And that was before the rule was passed that enabled the Viceroy, in concurrence with the Financial Member, to suspend operations until the order of the Secretary of State had been obtained, was it not?—Yes; it was only two or three years ago, I think, that that was laid down.

573. It was in 1891, I think?—It was laid down in 1888–89.

574. (*Chairman.*) Therefore, we may define the power of appeal of the Finance Minister somewhat in this way: first of all, he can record a dissent from any measure that comes before the Viceroy in Council, and that dissent will, as a matter of course, go before the Secretary of State. Further, if the Viceroy concurs with him, even though there may be a majority of the Council against them, yet that constitutes an appeal to the Secretary of State; and that measure would not be carried out until the Secretary of State had considered the reasons which had induced the Viceroy and the finance member to dissent?—Yes; that is exactly the case. It ensures delay until the Secretary of State's opinion is received. (*Mr. Jacob.*) I do not think, as a matter of course, it does. It is only in cases where the Viceroy considers it of sufficient importance.

575. The Viceroy exercises, as it were, a kind of suspensory veto upon it for the moment?—Yes; that is how I think it is. I mean the mere fact that the Viceroy and the Financial Member were in agreement, and that they differed from the rest of the Council, would not necessarily result in delaying action.

576. But still the Viceroy could delay it if he expressed a wish to that effect?—He could.

577. (*Sir A. Scoble*.) I think the procedure is all laid down in the rules?—(*Sir Henry Waterfield*.) Yes, we have the rules in the room. Mr. Jacob's view is, I think, right. It is first provided by Rules 17 and 18 what are the subjects of which the Finance Minister has to take special cognisance.

578. (*Chairman*.) What are you quoting from, Sir Henry?—The rules and orders for the transaction of business in the Governor-General's Council. Then it is provided by Rule 24. "In the case of a proposal referred to the Finance Department, under Rule 17 or Rule 18, if the Finance Member of Council does not concur with the initiating member, and if the Governor-General concurs with the Finance Member, the papers shall be circulated to Members of Council, or be brought before Council at once, as the Governor-General shall direct; but no order shall be issued on the proposal, unless his Excellency shall otherwise direct, until the instructions of the Secretary of State in Council shall have been received thereon." Therefore the Governor-General may give way if he thinks fit, and allow immediate action to be taken in accordance with the view of the majority; but he has the power of delaying it, although the majority is against him, until the Secretary of State's orders are received.

579. Has the Viceroy alone any power of suspending a decision of his Council?—No; if the majority were against him the Government would act as a whole, although the Governor-General might be opposed to it, but, in such a case, he might perhaps avoid bringing it before the Council. (*Mr. Jacob*) He can overrule his Council. I forget what are the exact words, but he can do so, if he considers it a matter affecting the safety of India. I think that it is so provided in the Act of Parliament. (*Sir Henry Waterfield*) That is in the Act of Parliament, but it does not relate to such matters of finance as those of which you have been speaking.

580. Would you say that that is an exhaustive list of dissents that you have read. There is a considerable gap between 1887 and 1890?—No. I had not time to look for those in the intermediate years. I took the last decade, and I have referred to the first two years of Sir Auckland Colvin's tenure of office as Finance Minister and the last two of Sir David Barbour's, merely because I happened to recollect that there were dissents recorded at that time. I am not at all prepared to say that there may not have been others from 1887 to 1892, but I have not looked at those years.

581. Then the paper that you have handed in is a sample of the action taken by the Finance Minister?—Exactly, it is a sample of the dissents.

582. We come now, Sir Henry, to the very interesting question of Provincial finance. You have given us a paper describing the present system of Provincial finance as it has been developed since its institution by Lord Mayo. Would you say that that policy is intended (1) to interest the Provincial Governments in collecting closely and fully the revenue which its officers levy, and (2) to secure efficient and economical application of the moneys assigned for provincial services by giving the Provincial Government a certain control over its own provincial budget?—Yes, in the words of Sir Richard Temple, on the 9th of March 1871, it was hoped that the concession "will give the local Governments an additional interest in the study and the enforcement of economy in expenditure; will afford them a just inducement to supplement their local receipts from time to time by methods most acceptable to the people, or least fraught with popular objection; will cause a more complete understanding to arise between the executive authorities and the tax-paying classes respecting the development of fiscal resources, will teach the people to take a practical share in provincial finance, and lead them up gradually towards a degree of local self-government; and will thus conduce to administrative as well as financial improvement."

583. Did not Lord Mayo assign a fixed grant to each Provincial Government, and was not the system of fixed grants abolished in 1882, and a share in the revenue collected, given to them instead?—Yes, Lord Mayo assigned fixed grants. Afterwards a share in the excise and stamp revenue was given in 1877, in addition to the fixed grants. The system of granting the Local Governments a share in the revenue was extended in 1879 when agreements were made with Burma and Assam, and it was more generally applied in the agreements with all provinces in 1882.

584. I do not quite gather from the Memorandum whether the responsibility of the Provincial Governments for collection of revenue began in 1877 or in 1882?—The Provincial Governments were always responsible for the collection of the revenue; but until 1877 they derived no direct benefit by the more careful collection.

585. Therefore there was no change in the system. It was not that the collection of revenue was in any respect transferred from officers of the Central Government to officers of the Local Government. When those changes took place that system had been in force before?—Quite so. The same officers as before collected it. The revenue is necessarily collected by the officers of the various provinces, and the same officers continued to collect it when the system was altered, so as to give to the Provincial Governments a direct incentive to more careful collection.

586. In fact the Provincial Governments were given a percentage or bonus on the amounts they collected?—Yes, something of that sort.

587. Would you describe the nature of the change then made?—Up to 1877 each Government received a fixed annual grant—that was the system you referred to as introduced by Lord Mayo—merely varied from time to time by minor adjustments; after that date they were allowed a share of the excise and stamp revenue in place of a corresponding portion of the fixed grant. In 1882 the system was extended by giving to them, instead of any fixed grant, the whole or a varying proportion of the revenue under several heads, including a percentage of the Land Revenue, this latter differing according to the requirements of each province.

588. The proportion of revenue assigned to the Provincial Governments is revised every five years, is it not? Would you describe the nature and objects of this revision?—The object is, on the one hand, to ensure to the Imperial Government a due share of the improvement that has taken place in the revenue from the development of the country; and, on the other hand, while giving the Provincial Governments a fair proportion of the increase, to lessen the chance of their being called upon to render abnormal assistance to the Imperial Government. Gradually it has been found possible to extend the provincial system in some degree to all heads of revenue, except opium, tributes from native States, post office, telegraph, and mint, and to all other receipts except gain by exchange on remittance transactions, receipts from railways, military works, and army. Before the commencement of each quinquennial period, a careful examination is made of the circumstances of the several provinces, in order to see to what extent they may be able to spare for the assistance of the Imperial Government a portion of the increment in their revenues, or, on the other hand, whether in consequence of additional burdens being undertaken they require any further help.

589. And when you say that one object was to lessen the chance of the Provincial Governments being called upon to render abnormal assistance to the Imperial Government, I presume you mean that by increasing the Imperial Revenue there was less chance of the Provincial Governments being required to contribute a part of the sums assigned to them?—More careful collection of the Revenue made it less likely that there would be a deficiency.

590. In fact you looked to an improvement of the Revenue from it?—Yes.

591. Is the revision of which you spoke conducted by a Commission, or how is it made?—It is conducted by the Government of India in the Finance Department in correspondence with each Provincial Government. On at least one occasion the Finance Minister has gone round to the head-quarters of the several Local Governments, and personally communicated with the authorities, but I do not think that that step has often been taken?—(Mr. Jacob.) In 1886 the Finance Committee took up the revision of the provincial arrangements then pending.

592. What do you mean by the Finance Committee?—A special finance committee that was appointed to consider any possible reduction of the expenditure.

593. And did they undertake this executive function of ascertaining what ought to be the shares of the Imperial and local Governments?—They examined the provincial expenditure to see whether any reductions were possible

is it, and with reference to such reductions they proposed a reduction in the assignments of revenue.

594. They were a Commission inquiring into finance, and they offered advice to the Finance Minister on those points which affected the result of the revision?—Yes, they were expressly instructed to consider the provincial arrangements, as well as any other possible reduction in expenditure.

595. (*Sir Andrew Scoble.*) But their function was only to advise the Finance Minister?—Yes, to advise him.

596. Not to act on their own responsibility in regard to any arrangements?—Merely to advise.

597. (*Sir James Peile.*) They made suggestions which were referred to the local governments for their opinion?—Yes.

598. (*Mr. Courtney.*) Do the same proportions apply to all Provincial Governments?—(*Sir Henry Waterfield.*) No, they did not in past times, but now they have been made very nearly uniform, I think, excepting as regards the provincial railways and the division of the land revenue. Otherwise, I think that the proportion fixed under any given head is the same in each province.

599. (*Chairman.*) That is to say, that supposing half the sums were given to the Provincial Governments, half will be given alike in Burma and Bombay?—Just so. It is only in the later revisions of 1887 and 1892 that they have come to this uniformity.

600. (*Mr. Courtney.*) And the revision is made simultaneously throughout all the provinces?—Yes.

601. (*Chairman.*) This revision takes place before the expiration of the quinquennial period?—Inquiries are made a few months before the beginning of the coming year.

602. (*Mr. Courtney.*) Practically each Finance Minister will make a new revision?—It will usually happen that it would come under a fresh Minister on each occasion.

603. It would not come before the same man twice?—Probably not.

604. (*Chairman.*) The revision now in force lasts till 1897, does it not?—Yes.

605. Are the Provincial Governments allowed to impose any local duties for their own local use, and have they done so?—Such of the Provincial Governments as have legislative councils have, with the consent of the Government of India, imposed provincial or local rates since the alteration of the system made in 1877.

606. How would you describe those provincial rates?—They are rates or cesses on the land, collected generally with the land revenue, and applied either exclusively to local purposes, or under certain rules to the general purposes of the province. A proportion not exceeding 10 per cent. may be taken for public works in the province generally, but not necessarily for the district in which it is collected. The bulk of it is entirely for local purposes.

607. Are they at all analogous to what they call in France *centimes additionels*?—I do not know the French system.

608. Under that system, as I understand it, there is a certain rate of tax, and then for local purposes there is levied in addition, we will say, to every five francs, five centimes, which they call *centimes additionels*. Would it resemble that, or would it be an entirely fresh tax upon the land?—In the first inception of these local rates it was very much of the nature that you have described. There was a 3 per cent. levied for general purposes, and then 1 per cent. more for local public works, but I do not think now that it is in the same fixed manner; it varies according to the province, and according to the Act that is in force in the province.

609. But it is a percentage on the land tax?—It is a percentage on the land.

610. On the land tax?—I see your point.

611. (*Mr. Courtney.*) Does it run throughout the whole province, or is it attached to districts or municipalities?—I think the local rate is the same for each province throughout each district. I think there is no variation in that, but it is levied on the land. (*Mr. Jacob.*) In some cases it is an actual percentage on the land revenue, and in some provinces before legislation was undertaken it was levied under the settlement arrangements, as a part of the settlement arrangement the land revenue was fixed, and then a percentage upon

that of so many annas in the rupee, as we put it generally in India, was fixed for education, roads, and schools.

612. Education and schools?—(*Sir Henry Waterfield.*) Yes, and hospitals.

613. (*Sir James Peile.*) In Bombay it is one anna on the rupee of land revenue?—Yes.

614. (*Chairman.*) That is the common practice?—That is the ordinary practice, I think.

615. And I presume what you were describing as a variation is only a variation because the Land Tax varies in its nature in different parts of India, is not that so?—Yes.

616. Then when you say in some parts of India it is not a percentage on Land Tax, it is so generally?—Well, I was thinking specially of Bengal, where in many parts a permanent settlement is in force, and there the local rate is fixed independently of the Land Revenue.

617. By way of not appearing to be a disturbance of the settlement, I suppose?—Hardly so, but it is a matter not coming within my department.

618. (*Mr. Jackson.*) In such cases where the contribution to the Provincial Government is a percentage of the land revenue, if the land revenue tax—if that is the proper term—was increased, that would increase the contribution to the Provincial Government?—(*Mr. Jacob.*) Yes.

619. But in the case where it is in the nature of a separate and an additional tax, the land tax might be raised and the other left as it was before, and in such case, although the revenue for Imperial purposes would be increased, the contribution to the Provincial Government would remain the same?—Before the Provincial Governments received a proportion of the land revenue, they did not derive any benefit from its increase.

620. And it is now altered, is it?—They now get a fixed proportion of the land revenue; but, where settlements are imminent which are likely to increase the revenue very much, allowance is generally made, when the agreements are under revision, for the probable increase under those settlements.

621. I see, they are adjusted?—Yes.

622. (*Chairman.*) May I put it in this way to you, that, taking the land revenue in a province, the Provincial Government is now allowed usually a fourth of what they collect, are they not?—Yes.

623. Therefore, whatever the rate of the land revenue may be, they gain one quarter of the produce?—Yes.

624. Besides that they levy on this land tax provincial rates which are, in one form or another, an extra percentage, the whole of which extra percentage goes to the Provincial Government?—I did not understand Mr. Jackson's question to relate to the provincial rates. I thought it was rather—

625. (*Mr. Jackson.*) My point was that I understand there is a contribution to the Provincial Government out of the sum collected for the Imperial Government?—Yes.

626. I wanted to know whether the result was the same in the case where the contribution is a percentage of the amount collected for the Imperial Government, as in the case where it was assessed and collected as a separate and additional tax to the Imperial tax. I am not sure that I am using terms that make themselves intelligible to you, but let me put it in this way. Supposing that for every rupee collected for Land Tax the Provincial Government is allowed to retain one per cent. If you increase the amount of the Land Tax, the contribution to the Provincial Government is increased?—Yes.

627. But supposing the one per cent. were assessed as an additional tax and remained the same, the contribution to the Provincial Government would remain the same although the tax itself might have been raised?—Where additional taxation is imposed, there is always a special arrangement made as to the distribution of that between Imperial and Provincial.

628. (*Sir Andrew Scoble.*) In point of fact it is a Provincial cess. This Provincial cess is in addition to the land revenue proper?—(*Sir Henry Waterfield.*) It is an assessment on the land in addition to the Land Revenue proper.

629. And this Provincial cess is independent of the proportion of Land Revenue assigned to the Provincial Government at the quinquennial settlement?—Yes.

630. So that the Provincial Government gets the whole of its proper amount of Land Revenue *plus* the cess that is collected for local purposes?—Yes. (*Mr. Jacob*) As a matter of fact the Provincial rates are not all entirely provincial. (*Sir Henry Waterfield.*) Those rates are almost entirely provincial and local, but not Imperial. They are granted almost entirely in aid of provincial and local purposes, not for the Imperial Government. Mr. Jacob's point is that technically there is a difference sometimes between provincial purposes and local purposes; "Provincial" has a wider significance.

631. (*Chairman.*) Municipalities and subordinate local authorities have distinct powers given to them of collecting certain revenues, have they not?—Yes. That is quite different from what we are speaking of now as provincial rates.

632. Quite so, but we shall come to that, I think, afterwards?—Yes.

633. I think Mr Laing, when Financial Member of Council in 1861, first mooted the idea of giving to Provincial Governments a certain control over their own finance, and allowing them to provide funds by levying local duties. As a specimen duty he suggested local tobacco taxes?—Yes. Mr. Laing found it necessary, in order to cover a deficit, to curtail the expenditure on public works; and, feeling the objection to such a course, he suggested that such works, of a minor character, might be entrusted to Local Governments to execute, with the aid of locally raised funds, for which purpose he thought that a tax on tobacco or an octroi would be suitable.

634. Are such local taxes levied?—No, not by the Provincial Governments. Octroi duties, house tax, &c., are levied by the municipalities, for municipal objects.

635. Was it found on consideration that a local tobacco tax would not answer the purpose intended?—Objections to a tobacco tax have been found almost invariably on several occasions when inquiry has been made, owing to the plentiful growth of the plant throughout the country. There is no tax on tobacco except a customs duty.

636. (*Mr. Courtney.*) Has that been investigated with reference to Imperial or local taxation?—There is a very celebrated note by Sir John Strachey on the whole question, in which he looked upon it from the whole point of view, and then came to the conclusion—

637. But the main purport of the inquiry was which?—For an Imperial tax, I think, mainly.

638. (*Chairman.*) Is there no kind of tobacco duty, no licence, for instance, on the sale of tobacco?—There is a Customs' duty; I do not think there is any internal duty on it, though an octroi duty may have to be paid. (*Mr. Jacob*) In Bombay city they have a local tax on tobacco for municipal purposes.

639. That is like an octroi duty?—Yes, something of that kind. It is called a municipal duty, but collected by the Customs officers; in Madras it was tried, but the authorities found that they were obliged to abolish it.

640. Effect was not given to the idea of decentralisation in finance, suggested by Mr. Laing in 1861, until Lord Mayo's time in 1871?—(*Sir Henry Waterfield.*) No, it was revived by Mr. Massey in 1866, and worked out by Colonel Richard Strachey with especial reference to public works. I think that he developed it generally, but, being in the Irrigation Department at that time, he paid special attention to the manner in which it would apply to public works. It was afterwards supported by Sir John Strachey as applicable generally, and brought into operation in 1871.

641. Could you state, or could you put in a paper showing for each Province the different branches and amounts of revenue which are collected by officers of the Provincial Governments, and the proportion of each such branch of revenue which those governments are allowed to retain for provincial services?—With the exception of the Salt Revenue in Northern India, and some departmental receipts, such as those of the Army and Military Works, it may be said that the whole of the revenue is collected by provincial officers. The proportion assigned to the Local Governments is shown in the table which I hand in (*paper put in*).* The

* See Appendix

further adjustments made under the head of Land Revenue are as follows, in the agreements of 1892:—
 Central Provinces + Rs. 22,05,000, Lower Burma
 + Rs. 41,43,000, Assam ~ Rs. 11,27,000, Bengal
 ~ Rs. 14,39,000, North-western Provinces and Oudh
 ~ Rs. 25,06,000, Punjab + Rs. 34,85,000, Madras
 + Rs. 32,54,000, Bombay + Rs. 77,14,000.

642. Can you tell us upon what principle such adjustments are made in the amount which the Provincial Government is allowed to retain out of the Land Tax?—It is the principle of approximate equilibrium of revenue and expenditure. It is found, on examining the circumstances of each Province, that the proportion of revenue which is assigned to it set against the proportion of expenditure which is debited to it leaves it either in a surplus or a deficit at the beginning of the quinquennial period. The Government of India then fix this addition to, or subtraction from, the 25 per cent. Land Revenue which is assigned in all provinces.

643. Quite so?—And thereby they bring about an approximate equilibrium.

644. Therefore the Provincial Government may get out of the Land Revenue these different sums. First of all it gets its 25 per cent. of the amount collected, then it may get under a provincial rate a certain extra sum; and, thirdly, if, when the revision takes place, there is not an equilibrium upon the estimate formed by the Finance Minister for the Province between income and expenditure, a certain further sum is allotted to them out of Land Revenue?—Yes, only I would rather say out of the produce of the land, because provincial rates are not part of the Land Revenue. Technically it is a different head of account altogether.

645. But it really comes at the same time and from the same source?—It is levied on the land, but it is not part of what we call the Land Revenue.

646. But still, as I understood you before, it generally takes the form of a certain percentage upon that revenue?—Upon the land, rather than upon the Land Revenue, I should say.

647. Then it is not like the *centime additional* that I have been describing to you; the provincial rate bears a certain percentage to the revenue, but it is a separate cess?—It is sometimes one and sometimes the other, according to the local Act.

648. (*Mr. Courtney.*) They bear a relation to one another, similar to what we should call rent and rate?—The Provincial rates are a rate, the Land Revenue is a rent.

649. What do you mean by the assignment of expenditure to the provinces?—When an agreement is made with the Local Governments, as will be seen by the paper which I have just handed in, they engage to meet a certain proportion of the expenditure under each head, on condition that they should receive a certain assignment of revenue under each head.

650. Is the expenditure so assigned Imperial expenditure?—It is the total expenditure which is incurred, excluding certain large heads such as the army, and the military works, which are entirely Imperial.

651-55. (*Chairman.*) In pursuance of Mr. Courtney's question, I have before me the Bengal Provincial Service Budget for 1894-5, and in that I find that in the estimate for 1894-5 there is put down for the salaries and expenses of civil departments a sum of 24,000,000 rupees; and I understand that that is the whole expenditure upon these services—Law and Justice (Courts of Law and Gaols), Police, Marine, Education, Medical, Political, Scientific, and other minor departments, and general administration within the province. The Imperial Government has no charge whatever for any one of those services within the province?—I think that paper will explain it. (*Mr. Jacob.*) The table will show it. (*Sir Henry Waterfield.*) The general administration is entirely

provincial, with the exception of the civil offices of the account and audit, the cost of which is mainly Imperial, and the general establishment of local funds, which is local. All other charges coming under the head of general administration are provincial.

656. Does the Central or Imperial Government of India keep the collection of any branches of revenue in its own hands?—The departments of Salt in Northern India, Post Office, Telegraph, Mint, Army, and Military Works, account directly to the Government of India.

657. And I suppose it is quite a separate method of collecting revenue. Would you not add that the local Governments have nothing to do with the opium revenue?—In the case of the opium the officers are provincial in Bengal and the North-West Provinces, but the revenue is taken as entirely Imperial.

658. Why is there a difference in the method of collecting the salt revenue? I think you said just now that the department of salt in Northern India is an Imperial branch of revenue?—I think it is a matter of administrative convenience. In Madras it is collected on a different system; and in Bombay, again, the system is different from that of Northern India; at the time that the customs barrier throughout Northern India was abolished, the collection of the salt revenue in that territory remained under one large department called the Salt Department of Northern India; and in Madras and Bombay the collection went on as before, under the provincial Governments.

659. What is your definition of Northern India?—In that connexion it includes the Punjab, the North-Western Provinces, the Central Provinces, and Bengal.

660. (*Sir James Peile.*) And Rajpootana?—And Rajpootana.

661. (*Mr. Courtney.*) Has it anything to do with the salt lake?—The salt lakes are in Rajpootana, as *Sir James Peile* mentioned. The great salt source is in Rajpootana, in the Northern India salt area.

662. Is it more convenient that the Salt revenue should be collected or administered by an Imperial officer rather than by a provincial officer?—I think so; in dealing with the Native States it is rather desirable.

663. (*Sir James Peile.*) There is no Provincial Government there?—No. Rajpootana is an aggregation of Native States.

664. (*Chairman.*) But does it not come to this, that the salt duty in Bombay and Madras is collected by the local Government, and in the rest of India practically by Imperial officers?—They are not officers of the local Government in whose territory they are serving.

665. By Imperial officers?—Yes; they are Imperial officers.

666. That is perhaps the remnant of an old arrangement, Bombay and Madras having been for a long time governments more or less independent, or with greater independence than other parts of India?—I think it very possibly may be; but I think also it is mainly from local considerations that the Governments of Bombay and Madras are better able to apply the rules and control the arrangements than the Central Government would be.

667. (*Sir Andrew Scoble.*) Is it not the fact, that in Bombay and Madras salt pans are frequently the property of individuals, while in Northern India they are the property of the Government?—Yes, that is so; that is what I referred to when I said there were different systems.

668. (*Chairman.*) In cases where the Central or Imperial Government of India keeps the collection of any branches of revenue in its own hands, are the collecting officers a separate staff appointed and paid by the Central Government, or are they officers of the Provincial Governments acting as agents of the Imperial Government for the collection of their Imperial duties?—In the case of those departments, the staff is under the Central Government, and is not subordinate to the Provincial Governments.

669. And is paid by the Central Government?—It is paid by the Central Government. It draws its pay from the treasury at the place where it is stationed, but in the accounts the charge is brought against the Imperial Government.

670. It does not come anywhere into that list, which, in this provincial budget of Bengal, I found charged to the expenditure of the province?—No, it would not be there.

671. In the case of the taxes which the Provincial Governments collect, do those Governments pay out of the revenue which they collect, (1) the whole cost of collection; (2) all the charges of civil Government within the province, including public works?—At some of the large cities the payments are made by the Accountants-General, who are Imperial officers; in some cases, and generally in provincial towns, the payments are made by Treasury officers, who are under the Provincial Governments; in all cases the charges are debited in the specified proportions to Imperial or provincial account.

672. That is to say, the payment is made out of the cash balances of the Government in the most convenient manner; but afterwards an adjustment is made in bringing it to account as between the Provincial and the Imperial Government?—Yes.

673. Does the Central or Imperial Government leave the Provincial Governments a free hand in the methods which they may think fit to adopt for the collection of the revenue entrusted to them?—No change can be made in any existing system of revenue management without the approval of the Supreme Government.

674. For instance, a local Government could not, if it thought it more convenient, transfer a duty from one head of revenue to another?—No, not without the sanction of the Imperial Government.

675. For instance, they could not levy an excise duty by means of a stamp?—No, nothing of that kind can be done without the sanction of the Supreme Government.

676. Would the Central or Imperial Treasury be held responsible for exercising an intelligent supervision over the results of collection in the different provinces, e.g., if one province were especially successful in the results it obtained, would the central Treasury call the attention of the other Governments to those results, and to the methods by which they are attained?—Yes; the Financial Department of the Government of India takes notice of any successful method of collection adopted by one province, and calls the attention of other Governments thereto, possibly going so far as to give orders accordingly.

677. And I presume that the Imperial Government would always be ready to receive and examine into complaints or remonstrances against methods of collection adopted by the Provincial Governments?—Certainly.

678. The meaning of that being that though the Imperial Government delegates very considerable powers to the local Governments, yet, at the same time, for the purpose of uniformity, for good government, and in the interests of the governed, it is always ready to hear and receive remonstrances?—Yes.

679. The memorandum says that up to 1877 the Provincial Governments had no interest in collecting the full revenue. The excise was notoriously evaded, and the Government suffered, through careless collection of the revenue, a loss of which the amount was unknown, but which was, in the opinion of the Finance Minister, very large. Can you give us any idea of the extent or manner in which the revenue has benefited by the decentralisation policy, or any facts illustrating the change?—As illustrations, I may refer to the increase that has taken place since 1880-81 under the following heads:—

	1880-81.	1893-94.	Percentage of Increase.*
	Rx.	Rx.	
Stamps	3,250,581	4,509,351	33
Excise	3,135,226	5,388,573	85
Provincial rates	2,776,370	3,514,571	21
Registration	281,230	416,146	46

* NOTE.—These percentages of increase are not correct for the years given in the table. The increase per cent. in 1893-4 is as follows:—

	Over 1870-80.	Over 1880-81.	Over 1881-82.
Stamps	41	39	33
Excise	90	72	57
Provincial rates	22	23	21
Registration	55	40	46

85 per cent., which is not far from the mean between 80 and 72, may therefore be taken as the increase under Excise in 134, not 13, years. The other percentages in the table are the increase in 12 years.

This percentage is very much larger than can be attributed to the increase of population.

680. But it may have been affected, may it not, by a change in the duties?—I do not think that those heads have been affected, with the exception of the provincial rates, by any change that has taken place since that. More careful collection has brought it about; but I do not think that the taxation has been altered since in any way that can be said to have caused increase of revenue. There have been variations.

681. That is an important point. The figures you state are very striking, and most satisfactory if you are able to say that there has not been any alteration of taxation, which would invalidate the conclusion to be drawn from them?—I looked with reference to this point into the Report of Mr. Baines, which was a very careful one, as to the decennial progress which has taken place. It was written for 1893-4, and I found that he there attributed nothing to increased taxation under these heads; there had been an increase of taxation for Imperial purposes, but not apparently for provincial purposes.

682. Now, taking the case of Stamps, of which I think half the profits goes to the Provincial Government—if the Imperial Government increase the stamp duties for Imperial purposes, does not half the increase produced go to the Provincial Government?—That would be the case if it had done so. (*Mr. Jacob.*) No, they would make an adjustment. I mean that if the Imperial Government imposed additional taxation, it would take the whole of that addition.

683. That is to say, supposing the stamp duty was increased by 100 per cent., and supposing the Provincial Government had up to that time taken 50 per cent. of the produce, practically it would only take 25 per cent. of the increased tax?—Yes, it would receive 50 per cent. of the whole; but it would give back to the Imperial Government whatever was estimated as the additional taxation at the beginning.

684. (*Sir Andrew Scoble.*) Do you happen to remember the date of the Stamp Act?—1879.

685. Has there been any material alteration, or any alteration at all in the Stamp Duties so far as you can remember?—Only very petty alterations; so far as I can remember, I believe the Stamp Act has been amended.

686. Not materially?—Not with a view to any general alteration of the taxation.

687. Then the figures which you have been giving would apply to the duties collected under the Stamp Act, which has been in force during the whole period during which those figures apply?—(*Sir Henry Waterfield.*) Yes, that is so.

688. (*Chairman.*) Speaking just now of the Stamp Duty, I said that the Imperial Government and the Provincial Government took half, and I think you accepted that. From this paper it appears the Imperial Government only take one-fourth?—Yes; I was not attending to that point; in the stamps it is so.

689-90. Now, the next head—Excise: On that you show that in the 13 years the increase has been enormous—85 per cent., without increase in taxation?—Yes.

691. In that case, also, you feel convinced that there has been no appreciable addition to the duties?—That is my belief. I am not prepared to say that in no case has there been an alteration where the existing law admitted of a higher rate. The law did permit certain variations of the duties, and in some cases they have been raised; in some cases they may have been lowered, but, as far as I know, there has not been any alteration of the law which has affected the scale of taxation.

692. (*Mr. Cairns.*) But are not the Excise rates based upon getting the maximum of revenue from the minimum of consumption?—Yes, that is so.

693. Surely there must have been a considerable increase of the rates of taxation to have carried out that policy?—Yes, the rates are altered according to circumstances. There may have been higher rates put on, but in other cases it may have been found necessary to reduce them, and, so far as I am able to speak, the growth of the provincial revenue is not to be attributed to increase of taxation. But I ought, perhaps, to tell the Commission that that is not my special province. The Revenue Secretary is the officer who deals with this; therefore I am not so competent, as Sir Charles Bernard would be, to give you an opinion upon that point. (*Mr. Jacob.*) I think, to a large extent, the increased revenue has been due to taxing liquor

and other excisable articles that previously escaped taxation.

694. (*Chairman.*) That would be a new tax?—No; they were liable to taxation before, but through more careful administration a larger amount has been taxed.

695. (*Mr. Caine.*) You mean by the suppression of illicit distillation and the transfer of the trade in illicit articles to licit?—Yes.

696. (*Chairman.*) Upon that head the increase is fairly attributable to an improved method of collecting?—Yes.

697. But if the Commission wish further information upon this, you suggest that they might call Sir Charles Bernard?—(*Sir Henry Waterfield.*) I think it would be more satisfactory to have him called.

698. Then, with regard to increase in provincial rates, I suppose that your opinion that the improvement is due to better collection would not apply?—No; I excepted provincial rates. But Mr. Jacob reminds me that, when we were compiling this table, we took the year 1881 in order to eliminate increase of taxation. The provincial rates were put on in 1878, after the famine of 1877-8; and we took 1880-81 as a year in which these new rates would probably be in full force.

699. In fact, you have chosen the years which were as free as possible from disturbing causes, such as increases of taxation?—Quite so; that was my intention.

700. The memorandum states that the Revenue of the Provincial Governments for the period 1882-87 was made up of Rx. 42,000,000, that their expenditure on heads of administration wholly under their control amounted to Rx. 15,000,000, and to Rx. 4,000,000 on heads of administration partly under their control. May we take this to mean that during that period the Provincial Governments were responsible for collecting a revenue of Rx. 42,000,000 out of which they retained Rx. 19,000,000 for provincial uses, accounting for the balance of Rx. 23,000,000 to the Central Government?—I think there is a little misunderstanding as to that sentence. The passage in paragraph 6 to which your Lordship refers is a quotation from Major Baring's Financial Statement in 1882; and the meaning is not exactly what you infer, as the expenditure administered by the Provincial Governments includes under certain heads expenditure charged to the Imperial as well as that charged to the Provincial Governments. The Local Governments had an interest, more or less direct, under the agreements of 1882, in the collection of revenue amounting to 42 crores of rupees, and in the administration of 19 crores of expenditure, for which the total revenue assigned was 15 crores for heads entirely provincial, and four crores for heads partly provincial but mainly Imperial.

701. But that would mean, would it not, that having collected 42 crores, and spending 19, they would hand over the remaining 23 to the Central Government?—The 23,000,000 is, mainly, the land revenue, and they had a certain proportion, larger or smaller, under those heads; but the whole 23,000,000 was not given to the Imperial Government—part of that was provincial. If you would allow me to refer to the passage—it says: "The general result of the arrangements of 1882 was, that the revenue of the local governments was, for the five years from that time made up of the whole of the revenue under heads producing about Rx. 4,000,000"—that would give the provincial governments Rx. 4,000,000; "half of the revenue under heads producing Rx. 8,000,000"—that would give them Rx. 4,000,000 more; "a larger or smaller proportion under heads (chiefly land revenue) producing Rx. 23,000,000;" I do not know the proportion of that Rx. 23,000,000 that they would receive; and then, "an almost nominal share under heads producing Rx. 7,000,000," which, perhaps, we might set down at only Rx. 1,000,000. "Thus, the local Governments had a direct interest in the collection of revenue to the amount of Rx. 42,000,000." But they only received Rx. 19,000,000 of that.

702. Therefore, the remainder?—The remainder was Imperial. No, I was mistaken; they did not receive Rx. 19,000,000. They received Rx. 15,000,000 under the heads for which the grant at the time of making the agreement was assigned to them; and then they had a very small amount under the other heads, producing Rx. 7,000,000. Altogether they only received about Rx. 16,000,000.

703. I ask the question because I cannot quite reconcile that statement with the description which follows of the fresh arrangement made in 1887. The memorandum says that the revenue estimated to arise from the revenues assigned to the Provincial Governments in the years 1882-87 had been estimated at Rx. 16,376,020, and the expenditure at Rx. 16,812,340, while the actual revenue had been Rx. 17,352,966, and the expenditure Rx. 17,399,398. Can you explain the apparent difference?—As I have explained, the figures in paragraph 6 relating to 1882 do not imply that the Provincial Governments were then receiving and administering 19 crores. The amount actually was about 16 crores; but, during the currency of the earlier agreements, many adjustments were made, by transfers of charges from Imperial to Provincial (or *vice versa*), together with the revenue granted for the purpose of meeting those charges. In Table I., appended to the Memorandum, it is shown that the initial assignments in 1882 amounted to Rx. 16,376,020 towards an expenditure of Rx. 16,812,340; and that the actual figures for the five years gave an average of Rx. 17,352,966 revenue, and Rx. 17,399,398 expenditure, the revenue available having largely increased in the later years.

704. I gather from the memorandum that, on the principle laid down at the commencement of the new system, the Central Government has taken at each revision a large part of the net increase of the provincial revenue as estimated, or rather ascertained, at the time of revision. Thus in 1887—setting aside Burma—the seven Provincial Governments showed a surplus of Rx. 686,300, and under the revised arrangement the Central Government was to take Rx. 655,200, leaving a bonus of Rx. 31,100 to the Punjab and North-West Provinces?—The Government of India practically took the whole of the net increase (that is, increased surplus of revenue over expenditure), though for special reasons they had to forego a certain sum in one or two cases; it cannot be described as a bonus, it was a remission in consequence of the local governments having lost the revenue through the failure of an aqueduct and other causes. There were special circumstances in those two provinces.

705. In fact, the principle is that the Imperial Government take the whole of the increase?—Yes.

706. There was a deficit in Burma. How was that met?—The agreement of 1882 with Burma was a failure, and the Government of India was obliged to meet the annual deficit, till the abnormal condition of the province passed away, and it was found practicable to make a new arrangement.

707. And is the arrangement with Burma now one that runs on all fours with those in other provinces?—Yes, the arrangement of 1892 is on a similar footing in all provinces.

708. In the next revision, viz., 1892, the Central Government proposed to take an increased revenue of Rx. 466,300, leaving the Provincial Governments a revenue and expenditure estimated in equilibrium at Rx. 18,852,100?—Yes.

709. Then in 1882 the Provincial revenue was estimated at Rx. 16,376,020; in 1892, Rx. 18,852,100, or an increase of somewhat under Rx. 2,500,000, an increase exceeding 15 per cent. in 10 years; and the Central Government had added to its own revenue on the two revisions of 1887 and 1892 Rx. 655,200 and Rx. 466,300, or a total sum of Rx. 1,121,500, making a total increase of over Rx. 3,500,000 on a revenue calculated at something less than Rx. 16,500,000?—The initial assignment of revenue to the Provincial Governments in 1882 was Rx. 16,376,020. The increase in 1892 was, therefore, Rx. 2,476,080, or more than 15 per cent. in the 10 years; and, adding the amount of Rx. 1,121,500, by which the Imperial revenues were benefited, the increase is Rx. 3,597,580, over a former revenue of Rx. 16,376,020, or 22 per cent. in the 10 years.

710. Had there been any increase of taxation in that period?—In 1886 the income tax was substituted for a license tax, adding at that time some Rx. 350,000 to the Provincial revenues. I do not think that those revenues were affected by any legislation imposing further taxation during that period.

711. Therefore on that basis you would say that on these duties there had been no increase except to the extent of Rx. 350,000, which we must take into con-

sideration when we say that the revenues concerned had increased 22 per cent. in 10 years?—Yes. Perhaps I ought there to mention a point which may be viewed in different ways. The increase, by adding the income tax, was Rs. 350,000 in the first year, and perhaps Rs. 450,000 or Rs. 500,000 at the end of five years. I should hold that the increase of taxation was Rs. 350,000 only, and that the rest was from more careful collection or the improvement of the condition of the people. Some people might say that Rs. 500,000 had been put on; I do not know which way the Commission would view it.

712. You look on it in this way; we are dealing with an increase of revenue not affected by legislation?—Yes.

713. And therefore in deducting from the increase which appears upon the figures the one item upon which taxation has been increased you take the initial sum laid on, attributing the balance to increased prosperity?—That is my view, although, of course, if you take off the income tax you take off much more than that Rs. 350,000.

714. (*Mr. Jackson.*) And if you had not put on the income tax taxation would not have increased by that amount?—That is true also. At the same time it appears to me that the burden which you put on the people was the initial charge, and that, if I may use the expression, they put the further amount on themselves; it arose from their prosperity, which enabled them to pay more.

715. (*Mr. Naoroji.*) Would it not be desirable to ask Sir Henry Waterfield to supply us with a statement of all the additions to rates and taxes, of new taxation, and the enhancements of land assessments and consequent enhancement of provincial rates during 30 years?—I suppose you are talking now of the increase of the revenue arising therefrom, both Imperial and provincial.—If we have a direct statement of the increase—of the increase of rates, assessments, and so on—we will be able to judge much better than merely by an assertion?—I am afraid it would be impossible in this country to give you a statement of the increase of revenue arising from new settlements.

716. We can get it from India for the next year?—I do not know what means the Government of India would have of compiling such a statement. In every province there is a re-settlement constantly going on, and in 30 years every district will be re-settled.

717. What is increased by the mere increase of prosperity and what is increased by taking more from the people?—Yes, such a statement might show whether the Government is taking more from the people.

718. It is very desirable that the Commission should be able to come to a correct judgment upon the point, because this has been two or three times mentioned just now, as to the margin that is owing to increased prosperity. (*Sir William Wedderburn.*) Is it not the case that the increases in Bombay, for example, have been very large in the revision of the settlements?—I am afraid again I must say that this is a matter for the Revenue Secretary. I could answer from my own belief, but it would not be authoritative; I think it would be better if the Commission would allow me not to answer questions dealing with the Revenue Department specially.

719. It was only with reference to the portion of the provincial rates which had been directly upon the increase in the land revenue?—Yes.

720. I think generally that you are aware that the rate of increase has been, especially of late years, larger than in former times, and that the limits have been relaxed which kept the increase down? I think you are aware that that has taken place in Bombay?—I cannot answer those questions, I am afraid.

721. (*Chairman.*) With reference to the point Mr. Naoroji has just taken, I will ask you whether in estimating that the whole of the increase in the land revenue is due to increased prosperity, what view you take of the effect of re-settlements. You can hardly put them down, can you, as increases in prosperity? The contract has come to an end, and that contract is revised?—You are speaking of the contract with the Provincial Governments, not the settlement of the land now?

722. I am speaking of the settlement of the land now; this large increase in income includes land income?—Includes the portion of the land revenue which the Provincial Governments receive.

723. Of course. Well then, so far as that is due to new arrangements, would you consider that to be a proof of increased prosperity, or is it not rather an increase of the tax?—I think in all re-settlements of the land revenues the Government did not take the full proportion that they might; I should say they never took the full increase which might be attributed to the improved prosperity of the land.

724. Quite so; but still they do take an increase?—They may take it.

725. And is not that practically an increase in the duty, rather than the sum attributable to increase of prosperity?—No. Take an estate through which a railway has come; that has greatly improved its prosperity, and the Government take a proportion of the improvement. Surely that is attributable to prosperity rather than to increase of a tax.

726. You reckon it, that the Government in making their addition simply take into consideration whether the land in question is more valuable than it was before?—Certainly.

727. And they take on that improved value rather a smaller proportion than they would be justified in taking if they were to act on an exact calculation?—I think so. So far as my knowledge of the settlements goes, that is so.

728. (*Mr. Courtney.*) That is true of the past as well as of the present; you would say that it has always been the policy of the officer who fixes the re-settlement to do so?—Yes.

729. Your position is, that increased rental—increased land tax—does not mean increase of rack renting, but increased agricultural prosperity?—Yes.

730. (*Sir Andrew Scoble.*) And increased land brought under cultivation?—Yes.

731. (*Sir James Peile.*) And in a great part of India the land revenue is assessed upon the rental?—Yes.

732. So that the increase of land revenue is assessed on an increase of rent?—Yes, in such cases.

733. (*Sir William Wedderburn.*) But is it not the case that by far the larger proportion of this increase is not a general increase put upon a district benefited by a railway, or by some work of the Central Government, but is a direct increase of the rate payable by the individual holder, even up to many hundred per cent. sometimes in individual cases, which are more or less upon their own improvements; is not that the case? It is not a general increase upon a whole district with reference to a benefit to the Central Government?—I think it would depend upon the province and the nature of the settlement, whether, for instance, it was an increase due to a new railway or not, in such a case as that of which you were speaking. But I should not have thought that in any case some hundreds per cent. were imposed upon improvements. However, as I say, I am not qualified to speak on those points; I have no knowledge of the details of the settlements. (*Mr. Jacob.*) The improvement has been so great in some cases that Government has had to take a far lower rate than was enforced before, though, of course, the enhanced revenue is higher because of the very great improvement in the total rental, but in many parts Government has a right to take 50 per cent. of the rental of the land, but has contented itself with a smaller proportion; that is to say, that, owing to the very great improvement that has taken place, the Government has had to confine itself to 20, 25, or 30 per cent. instead of 50 per cent.

734. But my point is whether the improvement arises from any action of the Central Government, or whether it is not the improvement of the individual holding. I quite admit that if the Government have benefited a whole district they may claim equitably a general enhancement, but how does that justify heavy enhancement in individual holdings. It was with regard to the question of the railway or the general improvement of the district?—But the point I wished to bring out was that the enhancement where a railway had been introduced was entirely due to improved

prosperity; that is to say, to an enhancement of the rental, because the rate taken by Government is in many cases far less than that which was taken at the previous settlement.

735. The prosperity caused by the action of Government, or by the industry of the cultivator?—The general enhancement of the rental. (Mr. Neoroi.) This conversation makes it clear that it is very desirable that we should have something like detailed information; that I now ask.

736. (Chairman.) I think that question that Mr. Neoroi raises we had better discuss when we have Sir Charles Bernard?—(Sir Henry Waterfield.) I think so; he will be able to tell you what can be done.

737-8. (Mr. Courtney.) Have you got a settlement officer at home?—I think there are sure to be some. I will inquire; I think that most likely there is someone who has recently retired, if not on furlough.

739. (Mr. Jackson.) You used an expression that the Government had had to take less rent; I did not quite appreciate the meaning of that. Did it mean that a less rate was sufficient for the Government purpose, or that the Government had been prevented from taking a higher rent?—(Mr. Jacob.) I mean that, if they had taken the rate which was previously enforced, the enhancement would have been so high that it appeared to the Government impossible to enhance the revenue by that amount, and they have been obliged to content themselves with a less increase than the rate originally levied.

740. What determines the rate, the necessities of the expenditure?—No, there are detailed rules laid down. As a matter of fact, in almost every case a certain absolute limit is placed upon the enhancement of any individual rental.

741. But is it at your discretion whether you are to take 50 per cent. or whether you are to take 25 per cent.?—There is a maximum.

742. I am taking 50 per cent. as being the maximum. You spoke of 50 per cent., and in some cases you said they had had to take as little as 25 per cent.?—Yes.

743. And is it at the discretion of some officer of the department whether he shall take anything between 25 and 50 per cent.?—The Local Government lays down rules for the guidance of the settlement officer, but the practical effect of these rules is that no individual enhancement exceeds a certain amount.

744. (Mr. Courtney.) The Settlement Officer discusses the matter on the spot with the head men?—Yes. (Sir Henry Waterfield.) The Secretary of State not long ago gave instructions that the enhancements should not exceed a certain amount.

745. (Mr. Jackson.) Ah, but a certain amount of the individual property, or a certain percentage, or what?—A certain percentage of the former assessment.

746. (Sir H. Waterfield.) Is it not a different percentage on the district and the individual holding?—(Mr. Jacob.) I think so.

747. It is higher on the individual holdings; but is it not the case that not long ago the Bombay Government objected to it being limited in that way, and put aside these Enhancements?—I am not aware of it. (Sir Henry Waterfield.) I did not know that.

748. (Chairman.) Might I ask you, Sir Henry, this, for the benefit of many of us present who probably are not familiar with the system of land revenue, and in order to understand what the meaning of this revision is, the land revenue is levied in India under very different conditions in the different provinces, is it not?—Yes, very.

749-50. For instance, in Bengal there is what is called a permanent settlement;—Over a large part of Bengal.

751. Under what circumstances does this revision arise? Does it arise in Bengal where there is a permanent settlement, or does it only arise in places where there has been a settlement for a term?—In places where a settlement for a term of years has come to an end, and a fresh settlement has to be made.

752. Where there is a permanent settlement made there is no increase?—Not of that nature.

753. But where there are settlements for a term of years, it is a process substantially going on?—Yes.

754. Settlements are falling in, and they are revised?
—Yes.

755. And it is then that the settlement officers discuss whether the rent does not justify an additional percentage being levied—a tax?—Yes, a portion of the rental. The Government sends an officer to see what is a fair proportion of the rental that shall be paid.

756. At the close of each settlement?—At the close of each settlement. (*Mr. Naoroji.*) There is another question that arises from the suggestion about the prosperity of the country, that we should have that note of Sir David Barbour's, in which he calculates the total production or income of the country, and then if we have similar calculations from that year to this, we shall then be in the very proper position of knowing whether there is really an increase of prosperity or not.

757. (*Chairman.*) What do you say would be the basis of the comparison?—(*Mr. Naoroji.*) Sir David Barbour, I understand, has prepared a note in the year 1882, giving the total production of the country of British India per head, and if we have similar returns and calculations from that year to this, we shall then be able clearly to prove whether there has been really increase of prosperity or not. It would be a very important thing that that should be done?—I am afraid that question of Mr. Naoroji's has already been asked in Parliament several times. It has been referred to the Government of India who have said that it is impossible to prepare such a statement with any advantage.

758. It is not impossible, because it is done?—I said with any advantage.

759. (*Chairman.*) But, Mr. Naoroji, will not that question be best discussed with Sir David Barbour. If the Indian Government say that they cannot do it, Sir David would no doubt be ready to tell us on what basis he based his calculation?—(*Sir Henry Waterfield.*) I am afraid it is hardly a matter for Sir David Barbour. Sir David Barbour was at that time in a comparatively subordinate position. He was an Accountant-General, and was deputed on a special duty, to endeavour to ascertain the incidence of taxation. He wrote a confidential memorandum on the subject. I do not know in what way the member of the Commission learned that there was such a paper. Oh, yes, I do know how he knew that such a paper existed, for it was alluded to in the financial statement, but it has never been published, and when Mr. Naoroji asked in Parliament whether a similar paper could be prepared, a reference was made to India for the purpose. The Government of India said that they were not prepared to stand by this estimate, which had never been adopted by the Government, nor were they disposed to have another inquiry of the same kind, for they felt that no good results could arise from it, and they declined to prepare such a report. I do not think, therefore, that it would be of much use for the Commission now to ask for it again; the Government have thoroughly considered it, and they have said that they could not do it with advantage.

760. If we have Sir David Barbour here of course we can ask him upon what data he went when he made his former calculation, and whether he could make a similar calculation now?—Yes, but he is not the officer who would have to make it now.

761. No, but he might be able to find the same data, or similar data, now?—You will be able to put the question to him.

762. (*Mr. Naoroji.*) As to that statement not being used by Government, you remember that Lord Cromer actually used that statement in his speech, and based certain questions and conclusions upon that statement?—You are quite right, he quoted one statement that was in it.

763. So it is better that the Commission should know what it is, in order to be able to judge the real prosperity; otherwise there is a great deal said of that kind—that there is increase of prosperity—but we must have the proper data?—Yes.

764. (*Sir Andrew Scott.*) Before we quite leave this question of the settlements, I want to ask, is it not the fact that the recommendations of the settlement officer as to a new assessment are merely recommendations, and must have the sanction of the Local Government before they are brought into operation?—Certainly; the point occurred to me, only I did not wish to interrupt Mr. Jacob in what he was saying. It is so.

765. It is not the mere view of the settlement officer, but it is the view of whole series of officers, culminating in the Local Government?—Culminating in the Secretary of State.

766. (*Mr. Jackson.*) First approved by the Local Government?—First approved by the Local Government, then in many cases by the Government of India, and then by the Secretary of State.

767. (*Sir William Wedderburn.*) With reference to the levy, I would ask whether the person interested has any opportunity of putting forward his case during those various stages, or does not much practically depend upon the recommendation of the first officer. Has the person whose rate is raised any opportunity of protesting before any of these authorities referred to?—He has the opportunity of putting his case before the settlement officer. I do not suppose that it is as you suggest.

768. Because he does not know what the recommendation is. (*Mr. Cairns.*) He has no right of appeal, has he?—(*Mr. Jacob.*) I think he does know.

769. (*Sir James Peile.*) Is it not the case that in Bombay at any rate, and I believe elsewhere, anyone who objects to the revised assessment put upon him is invited to appeal to the Bombay Government, who consider his appeal before they finally sanction the revised settlement?—(*Sir Henry Waterfield.*) I have no knowledge of it, but I think what you say is much more likely to be the case than the other view.

770. (*Chairman.*) Had the Provincial Governments to pay over the Rs. 655,000 spoken of in a former question (704) to the Central Government, even if the revenue collected did not come up to the estimate, making in that event the deficiency good out of their reserve balance?—The Provincial agreements are balanced by a certain transfer of land revenue between the Imperial Government and the several Local Governments; and this amount is in each case so calculated as to give to the Imperial Government the improvement determined upon, after a consideration of all the circumstances. Any deficiency during the currency of an agreement must be met by the Provincial Government reducing its expenditure or drawing on its balance.

771. The increase would, I presume, arise in this way, that the Provincial Government was allowed a certain percentage of duties. If the proceeds exceeded the estimate upon which the arrangement was based, the Provincial Government would get more, if it fell off, they would get less?—Yes.

772. Apart from the effect of increased taxation, is not this the result, whether due to increase of prosperity or better collection of revenue, that the revenue assigned to the Provincial Governments has increased 22 per cent. in 10 years; that the Provincial Governments have taken two-thirds of that increase; the Central Government about one-third; and that the Provincial Governments will get the further benefit of any increase of revenue over that taken as the basis in 1892, during the five years to 1897?—Yes; but the chief gain to the Imperial Government during the period has consisted in its annual share of the improvement of revenue due to the management of the Provincial Governments.

773. That is a very remarkable result?—I think it is.

774. You know of no qualifying circumstances which may fairly be set against it, except those that you have mentioned?—No, I have put them before the Commission to the best of my ability.

775. Therefore, as it stands, according to the best of your belief, that is a fair statement of the case—that apart from a comparatively small increase in taxation, these revenues have increased in 13 years by 22 per cent.?—Yes. Perhaps I ought again to mention, as to some of the questions put to me, that I did not attribute it all to the prosperity of the country. It is no doubt largely due to better collection.

776. Would you adduce, as a proof of the success of the decentralisation policy, that the increase is probably due to the better collection of the revenue owing to the Provincial Governments being given an interest in what they collect?—I think that is so.

777. Of course also allowing a share for increased prosperity?—Undoubtedly.

778. Passing to expenditure, I observe it stated that formerly the Provincial Governments had in preparing the provincial budget no rules as to the limits within which their expenditure must be kept; and they asked, therefore, vaguely for the sums which they thought could be usefully spent in administration. The Supreme Government, on the other hand, had not the local knowledge to enable it to check efficiently their demands. This, I suppose, was one of the main reasons which led to the adoption of a system of local or provincial finance?—Yes.

779. The expenditure on the services transferred by Lord Mayo to the Provincial Governments was, in 1868-9, Rx. 6,030,000; in 1870-1, Rx. 5,197,000. What is the cost of those services now?—The cost of such services as were provincial in 1870-71 is now about Rx. 7,700,000.

780. Did not a very great revision of expenditure take place about 1870; I observe that between 1868, 1869, 1870, and 1871, there was a considerable falling off in the expenditure?—I think it was by transfers from the Provincial to the Imperial Government. You must remember that the scheme of Provincial decentralisation only grew up gradually, and that during the earlier years there were continual transfers of some head which it was found more convenient to make Provincial, or to transfer back to the Imperial.

781. At present the Army, the Post Office, Telegraphs, the Account Offices, Political Services, and the movement of Funds, are the only branches of expenditure which the Imperial Government keep in its own hands?—The foot-note from which your Lordship is quoting, at page 5 of the Memorandum, refers only to Burma and Assam in 1879. As applied to the whole of India, I would add Salt in Northern India, Debt, Mint and Paper Currency, Ecclesiastical, Survey of India, Geological and Archeological Survey, and Census.

782. The Imperial Government concedes a certain discretion to Provincial Governments, but does it not at the same time retain a complete control over the local expenditure?—Yes, subject to its allowing the Local Governments as much freedom, as possible in regard to details.

783. The principle which guides the Imperial Government is that laid down in the financial resolution of 22nd March 1871, that the Governor-General in Council will not relinquish his general power of supervision and control in any department, but that he will, as far as possible, avoid interference with the details of the administration of the transferred revenue, and services, and any embarrassment of local finance?—Yes, that general principle has been maintained, while the tendency has been to enlarge the powers of the Provincial Governments.

784. Would you state the powers which the Imperial Government reserves to itself?—The Imperial Government maintains a general supervision and control over the local governments in the exercise of their powers; without its previous sanction, no additional taxation may be imposed, no change be made in the management of the revenue, no new general service or duty be undertaken, no alteration be made in appointments of which the emoluments exceed Rs. 250 a month, no class or grade or the pay thereof be altered, no change be made in the excise rates which would affect another province, no money be removed from the public treasury for deposit elsewhere, no alteration be made in the form of the accounts, and no main roads be abandoned. The Imperial Government also reserves to itself a right of control over any proposal causing an excess over the total Budget grant.

785. You said that no change could be made in the Excise rates which would affect another province. What is the meaning of that qualification?—The alteration of the rate of excise on the borders of one province might make it very difficult for the Government of another province to maintain the same rate of duty that it had before. If a Local Government thought it desirable that any such alteration should be made, a reference would be made to the Governor-General in Council, who would consider the circumstances of the two or three provinces concerned, and would endeavour to adopt a system applicable to all.

786. But the Local Government would be able to alter rates of excise within its own province if no objection were offered?—In so far as the law permits it.

to do so, and if the Imperial Government sees no objection to it.

787. Then, in any case, if the Local Government desire to make a variation in the Excise rates within the province, application must be made to the Imperial Government?—I think they are permitted by the law to vary the rates on their own authority. Certain rates are prescribed. It does not follow that they should levy up to the maximum at first, but, if they thought fit to raise the rate afterwards, they could.

788. The Imperial Government prescribes from time to time certain rates, with discretion to the local government as to levying those rates?—Yes.

789. If in so doing it does not interfere with the neighbouring provinces?—I think that is so.

790. Then you say that a power of granting or increasing salaries, up to 200*l.* or 300*l.* a year, is given to the Provincial Governments, provided always that the total of the Budget is not exceeded?—Yes, the limit is Rs. 3,000 a year, the same amount as that up to which the Government of India can act in regard to new appointments without the sanction of the Secretary of State.

791. Then the Imperial Government simply delegates to the Provincial Government its own power?—Exactly so.

792. This is rather going outside the Provincial arrangements, which we are dealing with now; but may I ask, does the necessity for referring home about sums so small as salaries just exceeding 200*l.* or 300*l.* a year ever arise?—It is an old rule which was prescribed I think in the year 1864, and it has always been maintained, that no increase of salary beyond that limit shall be permitted without the sanction of the Secretary of State. It is very much mixed up, no doubt, with the question of the power of appointing European officers in India. The amount of 3,000 Rupees is such as a Native, or a Eurasian, or European in India, might receive in a subordinate capacity; such appointments are left to the Government of India, but, if they wish to appoint an officer of a higher standing, they would be obliged to have the sanction of the Secretary of State.

793. Then you look at it that it is rather to enable the Secretary of State to keep within his own hands, and within his own knowledge, the extent to which what I may call English-born people are employed?—Yes. I think 30 years ago it was thought necessary, in order to prevent nepotism on the part of the local governments.

794. (*Mr. Courtney.*) Has not the value of the limit very much changed in the 30 years?—Not in India, I believe. In England it has very much, no doubt.

795. (*Chairman.*) What power have the provincial governments of increasing casual and contingent expenditure?—Complete power, within the limits of the total budget grant.

796. The memorandum states that no new general service or duty may be undertaken without the assent of the Imperial Government. Is that rule absolute?—If the Provincial Government wish to institute an inquiry, which would cost Rs. 100, Rs. 200, or Rs. 500, and they can do it within the limits of their budget, must they still get the sanction of the Imperial Government?—The rule is absolute, but the term "general service or duty" is not intended to cover an inquiry of a purely temporary character. As a matter of fact, local governments institute such inquiries on their own responsibility.

797. The Memorandum states at the same time, that each Provincial Government can distribute at its own discretion its own budget receipts among the Departments for which it is responsible. Would you explain more fully the extent of this discretion, because the limitations previously described, seem to reduce the powers of the Provincial Government to little more than the duty of paying certain fixed expenses, with a very limited power in minor details?—The estimate of budget receipts and expenditure is prepared by the Local Government; and, even after its acceptance by the Government of India, the Local Government may re-distribute the amounts, provided that the total grant for expenditure is not exceeded.

798. My difficulty is to reconcile the extremely limited discretion which is permitted to the Provincial Governments, if the powers reserved to the Imperial

Government are exercised, with such a statement as that on page 2 of the Memorandum. The Provincial Government may sanction an increase of charge in a fixed establishment if met by an immediate equivalent reduction in the same establishment or a similar one in the same department. That would imply, would it not, a larger discretion than is compatible with the limitations described?—This refers to the power of a Provincial Government with respect to an Imperial charge. It has a much greater freedom in regard to provincial charges, though necessarily restricted in many ways by rules also restricting the Imperial Government.

799. Such as that relating to salaries of 3,000 rupees?—Such as that of the salaries which I have just mentioned

800. In order that we may understand the point correctly, could you describe or show us an example of a provincial Budget? Is it divided into chapters and sub-heads? May a saving on a sub-head within a chapter be transferred to meet expenditure on another sub-head within the same chapter, or may savings on one chapter be transferred to another chapter, on the authority of the Provincial Government, or must the assent of the Imperial Government be obtained?—I have in the Bengal Budget for 1894-95, as laid before the Legislative Council.* It is divided into major and minor heads. The major heads are such of the 33 of Revenue and 49 of Expenditure, shown on pages 76 to 80 of the Financial Statement laid before Parliament in 1895, as deal with figures included in the Provincial Budget. Minor heads are sub-heads of the major heads, which are prescribed in the civil account code. I have a list here which I can give the Commission if they wish. A saving on any head (whether major or minor) in the provincial Budget may be transferred to meet expenditure on any other head, on the authority of the Provincial Government, the only condition being that the total budget grant shall not be exceeded. In the case of heads which are divided between Imperial and Provincial, the requisite transfer must be effected in regard to both branches of the expenditure. The Provincial Government is not allowed to make a transfer which would affect the Imperial Government, unless it makes a corresponding saving somewhere under a head which is Imperial also

801-2. Could you point out to us in the local Budget, where the major and minor heads are given?—Yes, I will compare the local Budget with the finance accounts. There you will see the major heads.

803. And that corresponds, I think, with the headings in the Bengal Budget which I have before me?—Yes, in the first part. Is there any particular head which you would like me to illustrate?

804. Take Law and Justice No. 19?—Law and Justice is divided into "A" and "B"; "Courts of Law" is 19A, and "Jails" is 19B. "Courts of Law" has the following minor heads:—"High Court," "Law Officers," "Coroner's Court," "Presidency, Magistrates, &c.," "Civil and Sessions Courts," "Courts of Small Causes," "Criminal Courts," "Pledership examination charges," and "Refunds."

805. Those are all minor heads?—Yes, under the major head of "Law and Justice" (Courts of Law). Then under "Law and Justice—(Jails)" are the minor heads. "Superintendence," "Presidency Jail," "Central Jails," "District Jails," "Lock-ups," "Reformatory Schools," "Jail Manufactures," and Refunds.

806. I observe, from a paper which you were going to hand in, that in certain cases of distress and pressure, the Imperial Government admits a claim on the part of the Provincial Government for extraordinary relief. Would you state what are the conditions on which such a claim can be entertained?—In case of severe distress from famine, a Provincial Government must not expect to receive aid from the Imperial Government until its current income is exhausted, and two-thirds of its accumulated savings in excess of the ordinary working balance has been spent. It is further provided that, after the pressure has passed away, the margin of normal income over normal expenditure shall be applied to the completion of the undertakings begun as relief works during the famine, or in some degree to the payment of interest on the loans that may have been raised in consequence of the famine in the province.

* "Abstract of the proceedings of the Council of the Lieut. Governor of Bengal assembled for the purpose of making laws and regulations under the provisions of the Indian Councils Acts, 1861 and 1872," 31st March 1894. pp. 122-139.

808. What would happen if a Provincial Government transgressed its authority, incurred expenditure without the assent of the Imperial Government, and exceeded in consequence its budget?—It is the Accountant-General's duty at once to warn the Local Government of the probability of an excess in the expenditure, and, if its reply be not satisfactory, he can require that his report be sent to the Government of India. Unless a re-appropriation be effected, the Local Government must obtain the Supreme Government's sanction for the excess. In any case the excess would have to be met from the provincial balances.

809. That is to say, if the provincial Government were to transgress the regulations under which it is bound to act, the only penalty upon it would be that the excess would have to be met out of its balance, which it has to keep at a certain minimum, and in the following year its powers of spending would be restricted in consequence?—That is the penalty if the Government of India condones the excess, and agrees that the excess may be allowed; but it is conceivable that the excess may be disallowed.

810. And then?—If it is a payment to an officer he may have to refund. If it is a payment which cannot be paid back, the Local Government would have to take it out of its balances.

811. Supposing it was a real difference of opinion between the Imperial Government and the Provincial Government, and the Provincial Government had knowingly disobeyed the Imperial Government; in that case would it simply be a question of the excess being taken out of the provincial balances?—That is the penalty; but I have here a case that has very lately occurred which will, perhaps, illustrate the point. It attracted my attention when I was looking at this volume of Proceedings. It happened only in January last. This is a letter to the Government of Bengal:—

"I am directed to acknowledge the receipt of your letter, No. 6656 F., dated the 15th December, 1894, requesting sanction to additional grants of Rs. 3,64,000 (distributed under nine major heads) for provincial expenditure, and Rs. 1,57,000 for local expenditure in Bengal during the year 1894-5.

"2. The increase in the grant for provincial services is made up of an excess of Rs. 5,74,000 likely to occur under certain heads of expenditure, and a saving of Rs. 2,10,000 under certain other heads. The largest items of excess expenditure are stated to be:—

"(a.) Rs. 1,68,000 on account of exchange compensation allowance.

"(b) Rs. 17,000 on account of the cost of cess revaluation in the Patna District.

"(c.) Rs. 20,000 due to the opening of new registration offices.

"(d) Rs. 35,000 for clearing the Gaighatta Khal and the Balighai Drain.

"(e) Rs. 20,000 for contract contingencies under Police.

"(f) About Rs. 14,000 for additions and alterations to the Sibpur workshops.

"(g) Rs. 41,000 for improvements at Hastings.

"(h) Rs. 50,000 on account of contribution towards the cost of acquiring land for a recreation ground for young men.

"3. In reply, I am to convey sanction to the additional grants asked for. I am at the same time to point out that in some cases—notably in those classed as (d) to (h) above—the extra expenditure appears to have been sanctioned by the local Government, although it was known at the time when the expenditure was incurred that no funds were available in the Budget. In the same way the local Government has passed Rs. 1,57,000 of additional local expenditure without objection, although the amount was not provided for in the Budget.

"4. The Government of India are obliged to raise strong objection to this procedure, and request that, whatever be the state of the balances, or the prospects as to the closing Provincial or Local balances, the Local Government will recognise its obligation to keep its expenditure during the year within the amounts granted in the Budget orders for the service of the year. The principle is one of the greatest importance, which has been repeatedly declared, and lies at the

foundation of all Budget control." So that you will see the Government of India had no choice but to sanction it, but they coupled their sanction with those remarks.

812. There is no resource except to sanction. If it were a case, of an officer deliberately paying a sum which he ought not to have paid, I understand that it would be recovered from him. If it were an act of repeated disobedience, it would, no doubt, be dealt with by the dismissal of the officer?—Probably, if it were a very serious matter.

813. (*Mr. Jackson.*) You spoke of a penalty. Supposing the balance were exhausted, how would the balance be re-established?—Each Provincial Government is required to keep, according to its Budget, a minimum balance which is proportionate to the circumstances of the Province, and it is a considerable sum of money. In the case of the Bengal Government it is 20 lacs of rupees, Rs. 200,000. It is not probable that any depletion of that balance could take place without it being soon discovered what was going on.

814. Yes, but that does not go quite far enough. Does it mean that additional taxation would have to be levied in order to recreate the balance?—No, probably what would be done is akin to what is provided in the case of a famine, in the case of a severe scarcity which exhausts the minimum balance. The Government of India will replace the balance after a time, but it requires that the Local Government shall pay interest on any debt that may have been incurred in consequence, or shall repay such sums as may be thought right, and the Local Government would not be allowed its spare revenues until such replacement had taken place.

815. (*Chairman.*) Then it would not be replaced by penalising the province, by stopping its public works in the following year, until the balance was recouped? Even in the case of such disobedience as I have spoken of, the Central Government would find the money, merely charging interest upon it until such time as the Local Government found it convenient to repay the money?—I think so; there is no regulation exactly for such a case. I suppose it has never been contemplated, but undoubtedly the money would be found by the Central Government. I do not think it would be a case of putting on taxation.

816. (*Mr. Caine.*) It would be treated as an overdraft, I suppose?—It would be treated as an overdraft, and probably replaced, if it was a very great amount, by a loan, I think.

817. (*Mr. Buchanan.*) Has any case occurred in which a local Government has reduced its balance below the minimum?—Yes, there have been some cases, and I think in one of the papers laid before the Commission I have given instances of it, but it has been replaced after a short time.

818. By the Government of India, in the way you have mentioned?—In the case of Burma the Government of India replaced it. This was because the agreement was found not to be based on a satisfactory footing. Bengal had considerably less than the minimum when that was first prescribed, and the Local Government had to be careful for the next year or two until they brought it up to the amount fixed.

819. Then, practically, sometimes the penalty is after this form: "Now, there is so much less for you to spend, because you have to bring your balance back?"—Yes, that is it.

820. (*Mr. Jackson.*) The penalty rather takes the form of having less money to spend than of increasing the revenue to be raised?—Yes.

821. (*Chairman.*) I observe two rules laid down which are thought in this country essential to sound finance, (1) that in absence of strict necessity, new expenditure should begin with the new financial year, and (2) that the mere insertion in the Budget of a charge requiring special authority, is not a sanction for the incurring of that charge without the special authority?—That is so.

822. Those are rules as to which the Home and the Indian Government are entirely in accord?—The Indian Budget system was set on foot by Mr. Wilson, who was very well acquainted with English finance.

823. An arrangement was made in 1877-8 with the Government of the North-West Provinces, whereby that Government undertook the charge of the canals of the province. The Imperial Government were at that time taking the profits of the canals, reckoned at

Rx. 256,300, and paying the interest on the capital expenditure, Rx. 244,000, thus making a net profit of Rx. 12,300. Under the new arrangement the Imperial Government freed itself from any charge on account of the canals, and took a net profit of Rx. 112,000, while the Provincial Government on its side had to provide Rx. 100,000 extra by increase of local taxation, until, by increasing the canal revenue or economy of management, the deficit was filled up. That seems rather a one-sided bargain, does it not? More profitable for the Imperial than for the Provincial Government? Where was the compensating advantage to the Provincial Government for the extra charge?—By the Local Rates Act of 1871, the whole of the revenue raised under the Act had to be spent on works of public utility in the district in which it was raised. In 1877 an Act was passed authorising the Local Government to allot 10 per cent. of that revenue for canals and railways in the province generally, irrespective of the particular district. This enabled the Local Government to accept the interest charge for the canals, relieving the Imperial Government of an amount corresponding to the 10 per cent. so assigned to them. Therefore, the measure, though adopted for Imperial purposes, did not injure the Local Government, but enabled it to spend part of its local rates in a more satisfactory manner. Moreover, the canals being thus provincialised, the Local Government was granted one-half of any saving which it could effect thereon.

824. You say that in 1877 an Act was passed authorising the Local Government to allot 10 per cent. of the revenue?—That is of the local rates.

825. Of the local revenue for canals and railways in the province generally. That is so; and no extra funds were given it to enable it to meet this charge. It had only a power of allotting to these services a portion of the revenue which had already been assigned to it?—It had the power of applying to one purpose what before was limited to another.

826. But no fresh funds were given it for that purpose, it was out of existing funds?—It was out of existing funds.

827. So far as it went, there is no doubt that the Imperial Government were the gainers?—The Imperial Government were the gainers by that charge.

828. In the Bengal Budget of 1894-5, which you have handed in as a sample of one of these local budgets, I will take one item, Public Works Irrigation. Irrigation receipts placed at the disposal of the Bengal Government amount to 243,000 rupees. On the other hand the expenditure is 550,000 rupees, and therefore, so far, the Local Government taking over the irrigation works, took them over at very considerable loss?—Yes, it may; under the head of "Irrigation" there may be a large deficit.

829. You would not be surprised to find that that was the case?—No, it is one of the points which would be considered in aiming at this equilibrium at the beginning of the agreement.

830. Is there any benefit that the Government gets out of these irrigation works that would lessen that apparent loss, because on those figures more than 50 per cent. is lost; the Government does not get back 50 per cent. of the charge on the canals?—No, the canals in Bengal are not remunerative. Some of them involve a very heavy charge, and the revenue for paying that deficiency has to be provided from other sources.

831. It does not surprise you that that should be the case?—No. I suppose under most of the heads you would find that there is not an equilibrium, that there is either a surplus of revenue over expenditure, or else the expenditure exceeds the revenue.

832. I see, as a matter of fact, taking State railways and irrigation together, they produce just about the total cost of the irrigation. You may almost put them one against the other; 553,000 rupees?—It is a coincidence, I think.

833. It is a coincidence, of course, but that is only made because the Local Government receive a considerable sum on account of railways, while they pay nothing?—Yes. (*Mr. Jacob*) That is merely a matter of adjustment. The Local Government in Bengal is allowed a certain proportion of the railway revenue.

834. Though it pays none of the expense?—It is allowed that amount under revenue, without any charge; it is a matter of account. The whole of the expenses are charged to the Imperial Government, but the local government gets its share of the net revenue.

835. Practically you may say that if you take public works in Bengal, the receipts and expenditure are almost the same. That is a coincidence, but as a fact the local government makes no profit out of them?—(Sir Henry Waterfield.) It is only a coincidence. The extent to which the railway receipts would be allowed to the Provincial Government varies in each case.

836. Do I understand that when this arrangement is made it is a question of arrangement; it is a question of equilibrium?—Yes.

837. Do you know the *present* financial result to the Provincial Government of the arrangement regarding the Canals in the North-West Provinces?—It is impossible, I think, to give the present financial result, owing to the great changes made in subsequent revisions of the provincial agreement. I find, however, that in 1881-2, the last year of the then existing quinquennial arrangement, out of a total revenue from the canals of Rx 467,429, the Imperial Government received as its share of profit Rx. 49,053, which seems to show that under the new system the revenue of the canals must have been considerably developed. You will observe that the Imperial Government was to receive a share of the profit, and, when the charge was made over, they could not have received any portion, unless the whole arrangement had resulted in a profit to the Provincial Government.

838. I have had a paper put in my hands which you will put in. It states the balances, and from that one can arrive at the meaning of two-thirds of "accumulated savings"—I suppose you mean by these "accumulated savings" the excess over the minimum balance required, in Bengal, for instance, over Rx. 200,000?—Yes.

839. The actual balance, we will take it in 1894-95, for Bengal, was Rx. 262,000, and I suppose you would call Rx. 62,000, that is the excess of the balance above the minimum balance, the "accumulated savings"?—Yes.

840. The arrangement, in fact, secures the Provincial Government a normal income, if the Revenue answers to the estimate. The Imperial Government takes the risk of war, and fall in exchange. The Imperial Government further in certain conditions of distress admits the claim of the Provincial Government to special assistance?—Yes, but, with reference to your words the fall in exchange, I may say that Provincial Governments have now to bear a part of the special allowance given as compensation for the fall in exchange.

841. That appears in the Budget of Bengal. Out of the share of land revenues assigned to the Local Government, I see that there is a deduction made for a sum which the Imperial Government has called upon the Local Government to find towards that charge?—I have not the figures before me, but I think probably that is only what is paid to the officers concerned in the collection of the land revenue. The compensation comes in respect of salaries under each head of expenditure.

842. That is what I am referring to. The Bengal share of the land revenue, was nearly Rx. 1,000,000. This total is subject to a further deduction which is made up of three items, and one of them is "Special contribution during 1894-5 under the orders of the Government of India, Rx. 300,000"?—No, That is a different thing altogether. That is a contribution to the Imperial Government, not compensation to the officers.

843. Why was it asked for?—That was owing to difficulties which the Government of India fell into in that particular year.

844. It was not to enable them to pay this particular compensation?—No, it had nothing to do with exchange compensation. I may, perhaps, explain, as my answer did not seem to be sufficiently clear, the meaning of that compensation for the fall in exchange. Under the rules passed in 1893 every officer who is a European or Eurasian, not domiciled in India, is allowed to receive, in addition to his salary, a certain percentage, which is quarterly fixed, as compensation for the fall in exchange. That compensation, if it is added to a salary paid by the Provincial Government, is charged against the Provincial Government, and the Imperial Government will not bear the charge.

845. And that, therefore, means an increase of the expenditure?—It is an increase of the expenditure charged to the Provincial Government which it has incurred through the fall in exchange.

846. But it is kept separate because, if the exchange rose, it would cease?—It is altered every three months, so that if the exchange rose to 1s. 6d. the rupee, it would disappear altogether.

847. On the other hand, the Imperial Government reserves to itself the right of calling on the Provincial Government to contribute to the Imperial expenditure in case of abnormal disaster?—Yes, I would rather say in case of abnormal pressure. My meaning is that, although you have quoted the word disaster quite accurately from the resolution of the 30th December 1891, I think it is hardly applicable in all cases. It was there said that the Imperial Government would 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 a suspension of the entire machinery of public improvement throughout the Empire." Lord Hartington thought it undesirable that the Government of India should be pledged to place itself in the position of proving that such a state of matters existed, before it could require assistance from the Local Governments, and that it would be sufficient to state that they would not be called upon to surrender any portion of their revenues, unless the Government of India saw no alternative between such a course and the imposition of taxation, which it was not considered expedient to undertake. That is the reason why I preferred speaking of abnormal pressure.

848. And it is that claim for contribution under pressure of which we find an actual instance in this local Budget?—That is so.

849. (*Mr. Courtney*) How often has that been levied?—On the occasion of the Afghan War, two amounts of Rx. 335,000 each were contributed by the Provincial Governments in 1879–80 and 1880–81, but the whole sum of Rx. 670,000 was restored in 1882–83. In 1886–7 there were contributions amounting to Rx. 400,000, owing to the deficit which arose through the fall in exchange and the military operations in Upper Burma; in 1890–91 from similar causes contributions of Rx. 490,000 were required; and in 1894–5 there were contributions of Rx. 405,000, in consequence of the heavy fall in exchange.

850. (*Chairman.*) That was rather a big transaction, that first one, was it not. In consequence of the Afghan War, first of all, the Provincial Governments were told they must not carry on certain works. Were moneys which would have gone to those works—moneys assigned to them—really taken back? Was not the moneys left in their power but not to be spent?—The contributions were withdrawn during the Afghan War, and then subsequently refunded.

851. Out of Imperial revenue?—Yes, the Imperial share of the land revenue was reduced by the total sum.

852. Then that contribution of 1894–95 is quite a separate matter from the increase of local expenditure, which arose from the compensation allowances given for a fall in exchange?—It is quite apart from that. The Imperial Government found itself in deficit, and it said, rather than impose taxation to meet this deficit, we must call on the Provincial Governments, according to their ability, to contribute to our assistance; the amount so taken was, altogether, Rx. 405,000.

853. I gather from the memorandum that, in the Afghan War, the Provincial Governments were told not to spend the whole of the sums advanced to them; but it would appear that the Imperial Government did not actually take the sums so unspent, these moneys remained in the hands of the Provincial Governments, and constituted what subsequently became the working balances of the Provincial Governments. Can you explain the transaction to which I refer? The Government temporarily checked Provincial expenditure, and withdrew Rx. 670,000 from the Provincial Budgets, which they later restored?—The contributions were withdrawn during the Afghan War, and subsequently refunded. The amounts do not, except in one or two instances, coincide with the minimum balance prescribed. It may, of course, be said, seeing that the total balances in India amount to 1,000 to 1,500 lakhs,

that the 67 lakhs were not actually spent; but they were not at the credit of the Local Governments during those two or three years

854. Exactly, but when they were eventually put back the Local Government was not allowed to spend them, but they formed the basis of that minimum working balance, did they not?—No. As a matter of fact they increased the balance so largely that the Provincial Governments spent very freely during the next few years.

855. (*Mr. Jackson*) But they were placed at their disposal?—The sums refunded were placed at their disposal, and the Provincial Governments spent money on public works very freely.

856. (*Chairman*.) There is a question that occurs to one here. The words are constantly used, "the Provincial Government." What is exactly meant by the Provincial Government? Is it the Governor or Lieutenant-Governor in his Council? Take, for instance, the Punjab. Is it the Lieutenant-Governor of the Punjab in his Council who submits the Provincial Budget to the Imperial Government; and, if so, does he submit it to the Governor-General in Council, who refers it to the Central Treasury?—There is no Council in the Punjab. The Provincial Government means the Governor and Executive Council in the case of Madras and Bombay; the Lieutenant-Governor or Chief Commissioner, without a Council, in the other Provinces. In Madras, Bombay, Bengal, and the North-West Provinces, there are Legislative Councils, before which the Budget is laid for information, but the Budget is submitted to the Imperial Government by the Executive Authority. It is approved by the Governor-General in Council in the Financial Department.

857. That is to say, that the Governor-in-Council in Bombay sends the Budget to the Governor-General-in-Council in Calcutta?—In Calcutta, in the Financial Department.

858. And when you say in the Financial Department, that means that the Governor-General refers it to the Financial Department?—It is received in the Financial Department of the Government of India; that is the office to which it is addressed, Of course it is sent with a Secretary's letter.

859. And it is forwarded by the chief financial authority in the province, corresponding in the province to the Financial Member of Council in Calcutta?—In Madras and Bombay the Governor in Council in the Finance Department, in other provinces the Lieutenant-Governor, would communicate with the Financial Department of the Government of India through one of his secretaries.

860. In the latter case is the secretary only a means of communication?—The distribution of work varies in the different provinces. In most cases the secretary in charge of the Finance Department has other departments under him.

861. Does he correspond directly with the financial Member of Council about financial measures generally, or does he do so through the Lieutenant-Governor?—The secretaries of the respective Governments correspond with the Financial Secretary to the Government of India.

862. On financial questions?—Yes.

863. The Accountant-General of the province, I suppose, communicates on questions of account with the Comptroller-General, but does he do so directly or through the Governor-in-Council or the Lieutenant-Governor as the case may be? Does he give to the Governor or Lieutenant-Governor copies of the financial returns which I understand he makes to the Comptroller-General?—He communicates directly with the Comptroller-General, informing the Local Government of his action when necessary, and giving it copies of such returns as are requisite for its information.

864. Therefore, it comes to this, that the Accountant-General being an officer of the Central Government, has a discretion as to what financial information he communicates to the head of the Local Government?—He has the discretion, but is bound to use it in such a way as to give the Local Government such information as it needs.

865. That is to say, if he were to refuse that information, the Central Government would censure him?—Certainly.

866. But he would not communicate directly with the Comptroller General on reforms, or reduction of salaries, or alteration of duties?—The Accountant-

General would correspond with the Comptroller-General on a question of account or audit; as a rule, in questions relating to the reduction of salaries, alteration of duties, &c., he would act as adviser to the Local Government, who would give such orders as seemed requisite, or refer, if necessary, to the Government of India.

867. Then I think my question to you was put rather under a misapprehension. From what you have said in answer to a previous question, I think I may bear in mind that the Accountant-General is purely an account officer under and subordinate to the Comptroller-General. With his considerable knowledge of finance and his considerable command over financial information, he is naturally an adviser to the Local Government; but he has nothing to do, I think, except in his own Department, with salaries, or duties, or rates?—Quite so; he is the adviser of the Local Government, but he is not their financial officer.

868-9. And except as regards officers in the Account Department, he has no interest, in the provincial salaries, or rates of pay?—No. Only that the Local Government is accustomed always to refer a question to the Accountant-General in case of any proposed increase of salary or of establishment, to make sure that they have stated the case rightly, both as to the existing cost and the proposed increase. (*Mr. Jacob.*) Might I read the orders on the subject. They run as follows: "In matters relating to the appointment and control of the officers gazetted and non-gazetted, working under him, and to the administration of his office generally, the Accountant-General, as an account and currency officer, is subject to the direct control of the Government of India in the Finance Department. All correspondence with the Government of India on such matters, including reports of giving and taking charge, should be submitted through the Comptroller-General, except in case of urgency, when a copy of the letter or report should be sent to the Comptroller-General with the intimation that the original has been sent direct to the Government of India. The Accountant-General is in immediate subordination to the Comptroller-General in all matters connected with audit and account, and will refer to him all questions bearing on the classification of receipts and charges and other matters of account: such questions should not be referred to the Government of India at all, unless the Comptroller-General is in doubt, or the Local Government does not accept the Comptroller-General's view." And then as to the relations with the Local Government, "The Local Government may require special returns to be prepared in any form it likes; and the Accountant-General will conform with all requisitions of the Local Government, though, if any seem opposed to specific orders of the Government of India, he should first respectfully make a representation to that effect. But all returns, accounts, and statements for the finance and revenue accounts, or required by the Comptroller, must be prepared in the form prescribed by the Comptroller-General; and in all matters relating to the procedure of the finance and revenue accounts, the Comptroller-General's instructions should be followed, as it is essential that there should be uniformity in the accounts of the several provinces. If a Local Government objects to any part of the procedure prescribed by the Comptroller-General, it should report its objections to the Government of India in the department of finance, but should never of its own motion interfere with such procedure. It is usually found convenient for a Local Government, before passing orders, to obtain the advice of the Local Accountant-General as to any particular application of financial rules or orders concerning which there may be doubt. Also when, ever an Accountant-General is of opinion that any proceeding of a Local Government transgresses any such rule or order, it is his duty respectfully to advise the Local Government accordingly. In either case the Local Government may follow or disregard the advice of the Accountant-General as may seem to it right. But if the Accountant-General does not finally acquiesce in the correctness of the decision of the Local Government, it is his duty respectfully to request the Local Government to submit the question for the orders of the Supreme Government. The Supreme Government does not usually receive any communications upon such matters from an Accountant-General except through the Local Government; but a Local Government must not withhold any such representation made by an Accountant-General unless it yields thereto."

870. What is that quoted from?—That is from the Civil Account Code.

871. Is it under Articles?—Yes, 1630, 1631, 1632, 1633

872. I am anxious in dealing with this provincial finance that we should clearly understand the extent to which the Provincial Governments have independent powers of action, and the character and channels of communication between the provincial and Central Governments; and therefore I will ask you whether on questions of military finance, the military controllers in the three provinces correspond directly with the Military Accountant-General, and if so whether they communicate copies to the Provincial Government to which they belong?—The Military Account Department is not provincial. There is a Comptroller for each of the four commands (Bengal, Punjab, Madras, and Bombay), who corresponds directly with the Military Accountant-General. He would not now be in direct relation with the Government of the province in which he is stationed.

873. Therefore the Governor of Bombay, as far as ordinary routine business transactions go, is quite unaware of military movements and military expenditure within his province?—I hardly know what the recent orders are as to military movements; a change has, recently been made by the abolition of the post of the Commander-in-Chief and his replacement by a Lieutenant-General in command; but as to military expenditure, correspondence would go to the Imperial Government; the Local Government would not have to deal with that.

874. Again, do the Public Works Departments in the Provincial Governments communicate directly with the Central Public Works Office in Calcutta, or is the correspondence with the Central Government conducted through the Lieutenant-Governors?—There is a Secretary to Government in the Public Works Department in each province, who corresponds with the Secretary to the Government of India in the Public Works Department, under the orders of the chief local authority.

875. Therefore, so far as public works are concerned, the Provincial Government is fully informed of what is going on?—Yes.

876. But still have we not gathered from you that the Public Works Department is an Imperial Department?—The civil buildings and roads are under the Provincial Government, the construction of a railway is generally kept entirely in the hands of the Imperial Government; it would depend very much on whether it ran through more than one province or not.

877. I meant to ask, are not the officers Imperial officers?—No. The officers are provincial, though they may be told off to an Imperial work.

878. While in the province they belong to the Provincial Government?—Yes.

879. Do any other heads of local Departments communicate directly with authorities in Calcutta?—Heads of local Departments in all cases report to and receive orders directly from the chief local authority, who corresponds through his secretaries with the Supreme Government.

880. But I think I have heard from you that there are certain services that the Imperial Government keeps entirely in its own hands. There are scientific services such as the Survey Department, for instance and various others; I was rather speaking of those services?—I must have misunderstood the question then; they are called Imperial Departments, and they are directly under the particular Department of the Government of India which supervises their operations.

881. And act independently in Bombay, we will say, of the Governor of Bombay and the Local Government?—The survey of India would not be under the Governor of Bombay at all.

882. The scientific services would not?—The scientific services generally, would not be under the Local Government.

883. Does any friction arise from the fact that there are services within a province of which the Governor knows nothing?—I should think the duties are so distinct that there is no difficulty arising from it. I am not aware of any.

884. The powers of control which the Central Government reserve to itself are very large. Does not this

mean a very large amount of correspondence between the Provincial Governments and the Central Government?—No doubt it does.

885. But so far as your experience goes you have no reason to think that that is in excess of what is necessary?—No; I think relatively it must have been very much diminished by the decentralization system. No doubt the correspondence that goes on in India now must be much larger than it was 25 years ago; but it would have been very much greater had not the Provincial Government the independent powers which they have.

886. Can you in any way illustrate the diminution that you think has resulted from the decentralization system?—The power that I have mentioned of re-arranging the Budget (within the total grant), on its own responsibility, enables a Provincial Government to dispense with a vast amount of correspondence on details. It also has practically the same independent powers as to sanctioning new appointments and carrying out details of administration, so far as provincial expenditure is concerned, that the Imperial Government has with reference to Imperial expenditure, and thereby much correspondence on such matters is avoided.

887. Would you describe to us how the Budget of each province is prepared; that is to say, what officer prepares the draft of it, and by what officers is the draft corrected?—The method of compiling the Budget is at the discretion of the Local Governments, but the following is the usual course. The estimates for each office are prepared by the head of the office; they are revised and collected by the head of the Department, who usually sends the Departmental Budget to the Accountant-General. After examination to see that the expenditure has been sanctioned, he passes them on to the Local Government. That Government makes any alteration it thinks fit, and returns them to the Accountant-General for compilation. He submits the compiled Budget to the Local Government, with any observations necessary if expenditure not sanctioned has been proposed beyond the power of that Government; and at the same time he forwards a copy to the Comptroller-General. The Local Government then submits the Budget to the Government of India in the Financial Department.

888. By what date must it be forwarded to the Central Government, and what time does that leave for consideration then, and for correspondence with the Provincial Government upon disputed items before the time comes when the Central Budget must be completed and adopted?—The Budget must be despatched by the 15th of January, which allows about two months for correspondence with the Accountant-General, and, if necessary, with the Local Governments, before the final figures are accepted by the Government of India.

889. The Central Government requires the Provincial Governments, does it not, to keep a normal cash balance or reserve, in order to guard against fluctuations in the finances of those governments?—When was this measure adopted?—It was laid down in 1883-4 that the budgets of the Local Governments should be so prepared as to show, at the close of the year, cash balances not below a certain amount, varying in each case.

890. How was this balance originally formed?—Excluding money held for purely local purposes, the Provincial Governments had balances at the commencement of 1870-71, amounting to Rs. 118,749. The Government of India then gave them grants aggregating Rs. 200,000, for a working balance to start the provincial service scheme. The following is a statement of the amounts held by them at the commencement of each year:—April 1, 1870, Rs. 118,749; 1871, Rs. 341,631; 1872, Rs. 808,692; 1873, Rs. 1,033,095; 1874, Rs. 541,353; 1875, Rs. 717,184; 1876, Rs. 324,719; 1877, Rs. 398,595; 1878, Rs. 721,182; 1879, Rs. 1,216,631; 1880, Rs. 1,740,374; 1881, Rs. 1,950,056; 1882, Rs. 3,705,046; 1883, Rs. 2,648,626.

891. Was the tremendous increase in 1882 owing to the Provincial contributions being refunded by the Imperial Government?—I think it was partly due to that, and partly due to the fact that some of the Governments, especially the North-West Provinces, did not spend so freely, and they had accumulated large balances. It was at this time that the rule was laid down that minimum balances should be maintained, proportionate to the size of each province, and to its liability to famine, amounting in the aggregate to

Rx. 1,090,000, which was well within the total of Rx. 1,254,000, with which the year had been estimated to close. The provincial balances actually, however, amounted on the 1st of April 1884 to Rx. 2,115,095. Perhaps I may mention here that the actual balance is almost always largely in excess of the Budget. The Local Governments were accustomed to prepare their estimates of revenue cautiously, and also to estimate for free expenditure on public works; for free expenditure, and they very often find at the close of the year that they are not able to spend so much as they expected, and therefore their balances, as given on the 1st of April, are much larger than the balance which they had put in their Budget as the estimate for the close of the preceding year.

892. Could you give us a list of these normal balances, and of the actual balances kept during a series of years, compared with the estimated expenditure of each Provincial Government?—Yes; I hand in the Table K.*

893. Does it occur to you that these are not very large sums as a reserve on which to draw in times of difficulty?—I think it must be remembered what a very large country India is, and how very unlikely it is that a difficulty such as these balances are meant to meet, namely, famine, or scarcity, or any local emergency, would arise in all the provinces at the same time. These balances were not prescribed to meet contingencies of Imperial necessity, such as war, or a fall in exchange, but rather for local emergency.

894. Under what conditions can the normal balance be drawn upon?—There are no conditions, except that no Local Government may estimate to reduce its balance below the prescribed minimum without the special sanction of the Government of India.

895. That is to say, it is possible that a Local Government might send in a Budget in which the expenditure exceeds the income, telling the Government of India that they propose to draw to a certain extent on their balance?—They might make a proposal to that effect beforehand, and, if it were sanctioned, they might place it on the Budget; but they would not be allowed to send up the Budget in that state without having previously obtained the sanction of the Government of India.

896. Where is the normal balance kept, and how is it employed?—The balance of the Local Government is not earmarked, but forms part of the general balances, for the location and management of which the Government of India is responsible.

897. Is any part of those balances which is not wanted invested?—Only by the Government of India, it was one of the conditions that I read, that the Provincial Governments must not remove the balances for deposit elsewhere.

898. If the Government of India think that the balance in the hands of a Provincial Government is larger than necessary, would they invest a portion of it?—It is one of the duties of the Comptroller-General to keep a proper balance, and, of course, not more than is wanted at the various stations.

899. As a rule do you invest?—(*Mr. Jacob*) We do not invest. You mean an investment which would bring in interest.

900. (*Sir Edward Hamilton*) Do bankers allow any rate on deposits?—Yes, they do on small deposits.

901. (*Chairman*.) In the case of this Provincial expenditure, what is the process of audit?—(*Sir Henry Waterfield*) I think I had better read to the Commission an extract from my note on the system of account and audit.

902. This is applicable to the Provincial audit?—Yes. The system of audit applies equally whether to Provincial or Imperial expenditure.

903. Well, we have already inquired as to what I may call the central audit, the Imperial audit, and the central expenditure and the local expenditure is so much intermingled that a good deal of what applied to the one would apply to the other, but I wished to get to the process of audit as it touches the Provincial expenditure?—It would be audited in the same way and by the same officers. In the accounts the expenditure would be distributed between Imperial and Provincial.

* See Appendix.

904. Perhaps you will read the passage?—The passage I was going to read relates to the process of audit generally. I do not know whether you would wish to have that read.

905. It would merely be a repetition of the process of audit?—Yes.

906. Perhaps I might ask you then, in order to keep this branch of our inquiry together, to tell us shortly who are the auditing officers of the Provincial expenditure?—(Mr. Jacob.) They are the Civil Accountants-General and Comptrollers of the Provinces.

907. They are Imperial, officers, are they not?—They are entirely Imperial.

908. And they audit the Provincial expenditure?—Yes.

909. And so far, in this case, the auditor is an officer entirely independent of the Provincial Government to which he belongs?—Yes, he is quite independent.

910. And in addition to his audit functions he discharges no executive functions?—No, I should say not.

911. Perhaps you would make a qualification there, because you would say the Accountant-General is considered the adviser?—Yes, he advises the Local Government.

912. But he has not got there the same executive functions, if I may so describe them, as the Comptroller-General has under the Central Government—management of the debt and so forth?—No. I do not know whether the preparation of the Budget is considered an executive function.

913. Oh, yes; the preparation of the Budget is considered an executive function, but I did not gather that he had anything to do with the preparation of the budget. I thought that in the provinces the different departments prepared the local budgets which are then made up, and it is the Provincial Governments which send them up to the Viceroy and the Finance Department?—But they go to the Provincial Governments through the Accountant-General.

914. Oh, it is through the Accountant-General?—The Accountant-General actually compiles the Budget.

915. (Mr. Courtney.) They do not appear among the officers of the Province in the official list of the Province?—No, they are not under the Local Government in that sense.—(Sir Henry Waterfield) I think you will find them under the Financial Department of the Government of India.

916. There is a Financial Department in each Province apparently?—Yes, that shows their local distribution.

917. (Chairman.) If the audit officer objects to a charge to whom does he report his objection and what action is taken on such an objection?—(Mr. Jacob.) If the Accountant-General sees reason in audit to object to a charge, he does not report the objection, but orders the recovery, at the same time communicating with the officer to whom the erroneous payment has been made. The Treasury Officer is bound to enforce the recovery. If the officer concerned should appeal to the Local Government, and that Government should support his view, the recovery may be temporarily suspended pending a reference to the Government of India, who alone overrule the Accountant-General.

918. Therefore the Accountant-General, or it may be an officer of the Accountant-General, as I gathered, has the power to disallow a direct order, say, of the Governor of Bombay?—Yes.

919. Absolutely disallow it?—He would object to it.

920. And he might disallow it?—Yes.

921. And in case the Governor objected, his only method is to appeal. The Governor must appeal to the Supreme Government?—Yes, and of course the Accountant-General would temporarily suspend any action if the local government informed him that it was desired to obtain the orders of the Government of India.

922. That is to say that the Central Government would probably not back up its officer in rigidly exercising his powers in case a higher functionary was concerned?—There is an absolute order that, if the local government so directs, the enforcement of the disallowance should be suspended pending a reference to the Government of India. (Sir Henry Waterfield.) That is only a temporary suspension.

923. Oh, yes, quite so?—(Mr. Jacob.) Only temporary.

924. (Sir Andrew Scoble.) But it is a fact, is it not, that the Government of India frequently supports the Accountant-General in disallowing?—Yes, very frequently.

925. Even in very small amounts as well as large ones?—Yes.

926. (Chairman.) It appears to me rather a strong measure that a subordinate officer should have the final power of disallowing against the Governor of a province what is supposed to be an irregularity?—Of course the Accountant-General exercises no discretion in a matter of that kind, it is a matter of absolute rule. I might mention, perhaps, that the Accountants-General are not very subordinate officers; the highest Accountant-General gets 3,000 rupees a month.

927. The Accountant-General of the Province I look upon as a very high officer from your description of him, but I gathered that the officers under him have the power of disallowance?—The original order of disallowance might be issued by a subordinate officer, but, if it were disputed in any way, it would come before the Accountant-General at once.

928. Apparently the subordinate officer of the Accountant-General of a Province has authority to disallow an order of the Governor of a Province. It appears to me an arrangement that though, no doubt, it works without friction in the hands of anyone understanding how to work it, yet, at the same time, is rather a strong measure since it permits a subordinate officer to have the final power of disallowance?—(Sir Henry Waterfield.) It shows that there is an independent audit in India.

929. But, I should say generally that the independent auditor ought not to have the final power of disallowance; it puts him in an awkward position, and, therefore, he should have only the power of reporting to a higher authority, and I should have thought in a case of this kind the natural course would have been, that the charge should not be disallowed, but reported for disallowance to the supreme Government?—It is so, unless the local Government accept the disallowance.

930. The memorandum states that the Provincial Governments are invited to delegate part of their authority to local authorities, and boards, just as the Imperial Government has delegated part of its authority to them. Has this been done to any extent, and can you give us any instances of such decentralisation?—I am prepared to read a short note which Sir Charles Bernard gave me on this subject, but I do not know, if you are going to call him, whether you would not prefer putting the questions to him. If you would like to hear it read, it will not take two minutes.

931. Perhaps you might read it if it is not a long note?—No, only two pages. “Previous to 1881-82, “municipal bodies had existed under specific laws, and “these bodies administered municipal revenues and “municipal affairs, in rural tracts local committees discharged similar duties with more restricted powers. “Since 1881-1882 this system has been carried much further. Municipal Acts and Local Self-Government Acts have been passed for nearly every province; and “everywhere, save in very backward parts, elected town committees administer municipal affairs, and elected “district boards administer local rural affairs. These “bodies cannot impose fresh taxation without the previous sanction of the local government, and can do “so only within the limitations laid down by law. But, “subject to supervision and report, they manage all “local and municipal affairs, even to a greater extent “than similar bodies do in the United Kingdom. The “scope of the local bodies’ powers and responsibilities “is not always the same in all provinces and cities; “for instance, in the Punjab and Burma, municipal “bodies manage schools and hospitals; in Bengal, “district boards manage primary schools; in the “North-West Provinces school management has not “been made over to municipal bodies. For their roads, “streets, drains, scavenging, water supply, and such “like matters, towns and districts have to depend on “their local rates and taxes, though on occasions, as “for instance, when new water supply schemes were “undertaken at Nagpore, Benares, Lucknow, Delhi, “and elsewhere, the local government contributed a “special grant. But, wherever schools or hospitals “were made over to local bodies, the local government

" makes to each municipal or district body a permanent yearly grant from Provincial funds; such grant bears some proportion to the sums the local government used previously to spend yearly on the departments or undertakings transferred to such bodies." As to the progress of the measure, the following are the statistics:—

	1881-2.	1893-4.
Population within municipal limits.	14,201,962	15,666,908
Total income	Rx. 2,906,242	Rx. 4,598,705
" expenditure	2,318,793	4,527,231

932. Then how is that income raised—to a certain extent by octroi duties?—Yes, and house tax.

933. And tolls?—Tolls, and carriage tax. Various local taxes of that kind.

934. Are these given over by the Local Government to the Municipal Government under general conditions laid down by the Supreme Government?—I should say that the power to levy the tax is given over; they raise it themselves.

935. On that point Sir Charles Bernard, perhaps, had better speak?—I think he would be a better authority.

936. That finishes my questions to you, Sir Henry, but I should like, having this Bengal budget before me, just to run through one or two of the items. I see that the Provincial budget first of all deals with the principal heads of revenue, and under that there is a certain sum assigned out of land revenue subject to a deduction on account of adjustment?—Yes, that is so.

937. Those adjustments really mean in most cases a return to the Imperial Government of certain sums, do they not?—It is so; it is a portion of the land revenue that is taken by the Imperial Government beyond the three-fourths that it would otherwise receive. The adjustment might in some provinces take the form of an addition to the Provincial Government's share, but I am speaking now of Bengal.

938. Well, then comes the head of interest; how would that arise; what are the Local Government investments bearing interest?—It is interest on advances to municipalities and other local bodies, interest on advances to cultivators, interest on advances to land holders, &c., interest on drainage and embankment advances.

939. They are public loans?—Yes, and advances.

940. Then I have already called your attention to and had from you an explanation about the irrigation and the railways, public works in Bengal not being a paying business: and the last entry I find is "buildings and roads, civil works" by Public Works Department. I gather from that that there are certain receipts, but they are only on minor heads of public works. I think I understood you to say they are local?—The receipts on civil works are chiefly from tolls or ferries.

941. But those are only for minor works, are they not. Did I understand from you that the greater works are kept in the hands of the Imperial Government?—I thought you were speaking of the revenue head.

942. I am speaking of the revenue head. The local Government only derives a revenue from the heads of services which it undertakes?—Yes. (Mr. Jacob.)—Almost entirely tolls on ferries. (Sir Henry Waterfield.)—It is entirely provincial and local, and almost entirely from ferries.

943. Yet I see that the expenditure by the Public Works Department is a very large one. Here it is between 200,000l. and 300,000l.?—You are speaking of civil buildings and roads?

944. Public Works Department buildings and roads?—Yes, buildings and roads, civil works.

945. On works in charge of the Public Works Department I have got 2,636,000 rupees as spent, and by the Civil Department 138,000 rupees?—Besides the expenditure which is carried on by the engineers in the Public Works Department, there is also an expenditure in each district of a petty character under the civil officers.

946. (Sir William Wedderburn) I should like to ask a few questions with regard to this printed correspondence regarding financial control and appropriation

audit. I think it will be found that the Secretary of State has on several occasions—(I would refer specially to page 32 and page 44 of the correspondence), expressed an opinion that an appropriation audit analogous to that made by the Auditor-General in this country to the House of Commons would be advantageous. I would just read at the top of page 32. He says, "This question was discussed by the Committee which was appointed by me in 1880 to report on the system of military accounts. They were unanimous in recommending that the detailed audit with vouchers which is effected by the local Accountants-General, and the results which are monthly reported to the Comptroller-General should be supplemented by an appropriation audit, which would be embodied in a comparison and report for the year, analogous to that made by the Auditor-General in this country to the House of Commons."—Yes.

947. That is in 1882. Then afterwards in 1888 he again returns to the subject, and in paragraph 6 of that despatch, at page 44, he says: "It has been found, as a matter of experience, that most important public advantages have been secured by the operation of the system which I have described. The independent auditor, far from encroaching upon or hampering the action of the Chancellor of the Exchequer, has become his most valuable ally. Through the auditor alone he learns that his own regulations are observed, and by the aid of the auditor alone he is able to enforce the financial order for which he is responsible to Parliament." What I should like to ask you is whether there is at present any system of audit that can be called analogous to the system which is here referred to under which the action of the highest executive is brought under the revision of the ultimate authority of Parliament?—No, I think there is no such at present.

948. There at present exists, I think, an appropriation audit?—Yes, there is an appropriation audit as Mr. Jacob explained yesterday.

949. I should like to know what is the exact advantage that is obtained by the existing appropriation audit at the end of the year as separate from the detailed audit that goes on from day to day?—Perhaps Mr. Jacob, as he has written such reports, had better answer that question or give an opinion thereon. (*Mr. Jacob*) It brings to the notice of the Government of India, which has made the grants, that the grants have not been exceeded.

950. But that is brought to notice, I think, from day to day. As you explained to the Chairman, there can be no continuing irregularity. I would be at once checked. So that at the end of the year if that check had been effective, there is nothing to report except that the expenditure has been in accordance with the Budget?—There might be something that would come to the notice of the Government of India for the first time in the appropriation report. (*Sir Henry Waterfield*.) The appropriation report brings to the notice of the Government of India any excess that has occurred over the Budget, even though it has been sanctioned.

951. Is there any advantage; I notice that is the advantage stated by the Government of India from the present appropriation audit, but is there any practical advantage from that, seeing that the authority that sanctions the Budget is the same authority who spends the money. All the effect of that is to let the Government of India know whether at the end of the year they have been of the same mind as they have been at the beginning of the year, but it is the same authority that frames the Budget and afterwards spends the money. (*Mr. Jacob*.) As regards Imperial expenditure, that is so, but not as regards Provincial expenditure. (*Sir Henry Waterfield*.) Perhaps I may also read to you a passage of Lord Hartington's despatch from the same page, 32, from which you quoted. He referred to the opinion of certain members of the Committee of 1830, which you read, but he went on in paragraph 4 of his despatch to explain the difference between the positions of England and India. He said: "The case of India is not to be governed by the rules laid down in European countries. In the United Kingdom the supplies are annually voted by Parliament, which exercises a very jealous control over the Executive Government in the disposal of those supplies, and requires that an officer independent of the Government shall report to it whether the law has been in all cases observed, and the moneys dis-

"tributed according to the intention of the House of Commons. In India the case is different; although the taxes are only imposed by the authority of the Council for making laws and regulations, the allotment of the supplies is made by the Governor-General in Council; and it is, therefore, primarily for his satisfaction that an appropriation audit is needed, in order that he may have brought before him in a clear and precise manner any deviations which have occurred in the expenditure of the year from the original intentions of the Budget." That, I think, is the effect of the appropriation audit as it is now carried out.

952. Is that the whole advantage that is obtained from the present arrangement?—Yes, I should think that comprises all.

953. Is it not very small; it is only a sort of review by the same authority of what they have done themselves, practically, because the Government of India both prepared the Budget and had the ultimate control of the whole of the expenditure?—It corresponds in that respect to the action of the House of Commons. The House of Commons votes the grants, and has a report placed before it, to enable it to see whether the expenditure has been in accordance with these grants. The Governor-General in Council makes the grants out of the revenue of India for specific purposes, and has an audit report placed before him to see whether these orders have been carried out.

954. But is not the case of the House of Commons—they vote the Budget and they do not have any detailed information regarding the progress of the expenditure, and therefore at the end of the year they want an annual report which will put them in possession of the fact as to whether the money has been spent in accordance with the object?—Yes, in accordance with the votes that have been passed.

955. But it seems to me that there is no analogy at all between that and this appropriation Budget, which is only a summary of the daily proceedings of the financial department?—Yes, I think you are right, but it is a summary for the authorities which have made the grants, of the action taken.

956. But there is no fresh check or fresh security caused by that. Is it not the case that this annual appropriation audit, so far from being a most important thing, is practically of no use at all after the daily audit has been thoroughly well carried out during the year?—I think that probably the detailed appropriation reports are only of use as enabling the Comptroller-General to prepare his review for the Government; but I should not say that the review by the Comptroller-General, which is called an appropriation report, and the review by the Secretary of State afterwards, are of no use; I think they are very important checks on the expenditure.

957. I should make my meaning clear. I do not mean to say that there is not immense value in the review by the Comptroller-General and Auditor-General of India of the whole financial arrangements, but it appears to me to be entirely foreign from the purpose of the British system, and will not carry out that object even in that small degree?—I think it has sprung from the British system, and I think that it meets Lord Hartington's intention as expressed when it was initiated.

958. I think that it has been suggested by the Government of India that as regards this Audit the Governor-General-in-Council in the Financial Department takes the place of Parliament?—They make the grants out of the revenues in very much the same way as the House of Commons passes votes for expenditure.

959. But is not the whole object of the Auditor-General's report to bring to the notice of the highest ultimate authority, how the executive, however high, has carried out the orders of that ultimate authority?—Yes, if you mean by the ultimate authority the authority which makes the grants. It is intended for that purpose, I think.

960. Well, I mean the ultimate authority, the master. You say in the British system Parliament is the master. The officials or executive are the servants, and that the auditor is an independent authority which brings to the notice of the master whether the servant has carried out his instructions. That is the analogy of the thing. Now, what I want to know is, in what way the

Government of India, in the financial department, can claim to be the ultimate authority to which the ultimate report is to be made by the independent auditor?—No, I do not think it is the ultimate authority, but, I think, as the authority which makes the grants, it is the final authority that can review the expenditure in detail on an appropriation report. Parliament has delegated to the Secretary of State in Council, as you are aware, the control of all expenditure out of the revenues of India, and the Secretary of State in Council necessarily delegates the detailed appropriation of the revenues to the Governor-General in Council. It is to him that the appropriation audit report is made.

961. So that the Governor-General in Council is distinctly not the ultimate authority?—No, undoubtedly Parliament has an authority over India; the Secretary of State is responsible to Parliament.

962. He is only acting with delegated authority from the Secretary of State, who is responsible to Parliament, as I understand?—Yes.

963. Therefore, so far as an audit is useful in bringing the acts of the executive to the notice, and under the control of the ultimate authority, the present system is not effective in any way—does not touch that at all?—No, the Comptroller-General's report is not laid before Parliament, and, therefore, you may say that Parliament is not cognisant of it.

964. I think you mentioned that there would be a great difficulty in detailed interference by Parliament, or any authority here, with the details of administration in India?—Yes.

965. But would not detailed interference be a good deal made, in many respects, unnecessary if there were some formal annual review, general review, of the administration, especially the financial administration of India by the ultimate authority, that is, by Parliament. Would not that obviate a good deal of the detailed interpellation and questions which are made necessary under the existing system?—The Secretary of State has always accepted the responsibility of explaining to Parliament the financial position; he does so in his statement every year. I should not have thought that Parliament would wish to have the details submitted to it, or, at least, that any great advantage could arise from that.

966. My question rather pointed to the suggestion that there should be some committee of the House of Commons which would deal with the report similar to that which the Auditor-General puts before the House of Commons for British accounts?—I think the Public Accounts Committee would find very little use in the Comptroller and Auditor-General's appropriation report, if it had not the officers to come before it with explanations; and that is a very practical difficulty with regard to India.

967. A good deal has been said about the independent audit, a good deal of anxiety has been expressed as to the necessity of placing the auditor in an independent position, and suggestions have been made with regard to making him irremovable, that he may have no fear, and that he should be provided with certain definite promotion, independently of the Government of India, so that he might not look for any favour. Is there any reason to think, in regard to officers whose duty it is to make such reports that there is undue pressure brought to bear upon them, that such precautions are necessary?—I should have thought it was quite certain that they are absolutely independent; but, perhaps, Mr. Jacob, who must have performed that duty in several capacities, can answer the question better.

968. There is rather a peculiar reason given ultimately for expecting independence. It says that the position of the Comptroller and Auditor-General is such as to put him beyond such influences. I think you find it in Lord Hartington's despatch of the 23rd March 1882?—I think the passage to which you refer is in the summary of the Government of India's view, given on page 32, paragraph 3, clause 4.

969. Does it not say, with regard to the Comptroller-General, that his position in the service is so high as to render him a thoroughly independent officer, who can be trusted to do his duty conscientiously and fearlessly. I have made note of it, paragraph 6, page 33. It says — “In my opinion, the Comptroller-General is the proper officer to conduct the appropriation audit. His position in the service is so high as to render him a

"thoroughly independent officer, who can be trusted to do his duty conscientiously and fearlessly." Is not that a reflection upon the officers who are not so highly placed?—I do not think it was intended so at all; I think that there was no such insinuation and that all that was meant was that there could be no ground for supposing that either anticipation of favour or fear of disfavour would affect the auditor's report.

970. But as far as I can make out, this is the only reason which is given ultimately for the adoption of the present system?—I think that passage was rather in reply to the suggestion that the auditor should be irremovable, save with the sanction of the Secretary of State in Council.

971. These were the precautions proposed to put him beyond the reach of pressure?—Yes.

972. But the Secretary of State thinks that his high position will have that effect?—Yes.

973. And I would rather point out that those officials who have never reached those high positions would think that this was a reflection upon them, to suppose that it is only the height that the Comptroller-General has reached that makes the security?—I do not think that it was intended as any reflection upon the lower officers, but that it was merely a way of stating that the Government might be assured that they would have a true report.

974. What I wanted to lead up to was the nature of the sanction which the Comptroller and Auditor-General requires in order to pass the different items of expenditure. I think there was a correspondence in which the Secretary of State asked that he should certify, not only whether the Governor General in Council had given his sanction, but also, in cases where the additional sanction of the Secretary of State was necessary, whether that sanction was obtained?—(Mr. Jacob.) Yes.

975. I think that is the present state of the thing?—Yes, that is so.

976. Now, is it also within his duty to certify, supposing that the Secretary of State in his belief is exceeding his authority, will it then be his duty to represent that in his report?—I cannot conceive a case in which the Secretary of State could exceed his authority.

977. But that is not the point. If, under an Act of Parliament, the power of the Secretary of State to apply the revenues of India is limited, and supposing he were expending the revenues of India in that way, would it be within the functions and of the control of the Auditor-General to report that defect of authority?—No, I should say not.

978. You are no doubt aware that under the Government of India Act of 1858, the Secretary of State is not entitled to employ the revenues of India, without special sanction, beyond the frontiers of India?—Yes.

979. It would not be within the present functions of Comptroller and Auditor-General to check amounts that would be expended out of the revenues of India contrary to that Act of Parliament?—No, I should say not.

980. Then in that respect the audit fails as regards the ultimate authority of the House of Commons—of Parliament?—(Sir Henry Waterfield.) The Secretary of State is directly responsible, and is amenable to the House of Commons, before whom he must justify himself, but the Comptroller-General's report would not bring that to notice.

981. No, and he would not check at the time, because, as I understand, the main and effective check is when the first sum of money is spent. In the ordinary course of administration the check is applied at the first few rupees that are spent wrong?—(Mr. Jacobs.) Yes.

982. So that large sums are not spent; but unless that daily check is applied in the case of a Secretary of State, many lakhs of rupees might be spent beyond the frontier without their being checked in any way or brought to notice?

983. (Chairman.) May I ask whether, under the Act of Parliament, the Council of India is not the body which has to check the Secretary of State under the circumstances that Sir William Wedderburn suggests.

(*Sir Henry Waterfield.*) It is the Secretary of State in Council, undoubtedly.

984. He must have the consent of the majority of his Council?—Yes.

985. (*Sir William Wedderburn.*) But when I was speaking of the Secretary of State, I was meaning the Secretary of State in Council acting as such. I wanted to know whether that check was there employed. Then there is another point I should like to clear up, and that is with reference to the special funds. I think it is mentioned as one of the particular objects of the audit to see that the special funds are properly appropriated. That is at page 33 in Lord Hartington's despatch; but it is also stated in Lord Ripon's despatch of the 1st October 1881?—I think there is no doubt that they would be duly audited.

986. That is an important part of the duty of the Auditor-General, I think? (*Mr. Jacob.*) Each Accountant-General has to submit an annual report reviewing the expenditure from local funds.

987. And it will be part of his duty to prevent or to put in a protest?—To report, certainly.

988. Any wrongful appropriation of these funds?—Yes. I will just read the order.—“The Accountant-General will submit, through the Local Government, a yearly statement of the total income, total expenditure, and balance of every local or other independent fund upon his books, with a few brief remarks upon the finance of each, with the object of showing—first, that each fund is solvent; secondly, that it is applied to the purposes for which it is intended; thirdly, that it is not overlooked, but is being fully utilised, fourthly, that its continuance is expedient. In submitting these statements to the Government of India, the Local Governments should add their own remarks.”

989. Is there any check or any means of preventing these special funds being appropriated by the Government of India to itself. Would it be within the duty of the Comptroller-General to point out that these funds were not available for general purposes?—The Government of India would be the ultimate authority to decide whether they were being applied properly or not.

990. But as far as check or audit goes have you, as Comptroller and Auditor-General, any means of preventing the whole fund being taken by the Government of India?—The order of the Government of India would certainly be final upon that point, and would be so accepted.

991. There would be no means of checking or protesting. The particular case I wished to refer to is what is commonly called the Famine Insurance Fund. There are differences of opinion as to what the nature of that particular assignment was, but that is what it is generally called, and I think you will remember that special taxes were raised for the purpose of forming that particular fund?—(*Sir Henry Waterfield.*) Not for forming a particular fund; it was an appropriation for a particular purpose.

992. Well, as I say, there is a difference of opinion as to the real position of it, but considering there is a general feeling—a very considerable feeling—that there were particular taxes raised for that particular purpose, I would ask, taking this as an example, whether there was any sort of protest, or whether there was any means of making a protest to prevent this fund being taken by the Government of India?—(*Mr. Jacob.*) The Famine Relief Appropriation was never treated as a fund in any account of the Government of India.

993. Did not Sir John Strachey say that no separate fund was established because of convenience in the accounts?—I am not aware of its ever having been treated as a fund of any kind, in the technical sense of a fund appropriated for a particular object.

994. (*Chairman.*) And the auditors will not report upon it?—Not upon that fund; no, not upon any such fund.

995. I think, Sir Henry, Sir William Wedderburn has drawn a distinction between the ordinary day-to-day audit and the appropriation audit. The idea of the appropriation audit is doubtless borrowed from the home system?—(*Sir Henry Waterfield.*) Yes.

996. Before the appropriation audit was introduced here in its full extent in 1866 there was an audit of

almost all Government expenditure by the Audit Office, which examined the vouchers and saw that payments were regular, but did not report to Parliament whether the necessary authority for the payment had been obtained. That is the business of an ordinary auditor, is it not? He goes through the payments, and he sees there is a voucher for each payment?—Yes.

997. When the necessity comes for an appropriation audit the extra duty is imposed upon the auditor of ascertaining whether each payment is not only duly vouched, but duly sanctioned. I would go further and say (following the strict analogy, which you have pointed out, Sir Henry) as Parliament votes the supplies, naturally the report is made to Parliament to show that those supplies have been devoted to the objects for which they were voted?—Yes.

998. And in the same way the strict analogy is that, as the Governor-General in Council appropriates the supplies, it is to the Governor-General in Council that the reports should be made, showing whether his officers have applied the money in the manner in which he in Council has granted it?—Yes.

999. The analogy so far is perfectly strict. It becomes a further question as to whether, in the case of India, a further check is wanted; but I think, as far as it goes, the exact analogy is correct?—I think a report is made to the authority which granted the supplies; the audit does much more than merely see that a voucher is obtained; it is for the purpose of appropriation.

1000 (Sir W. Wedderburn.) But is the analogy complete when, in the one case, the authority is simply reporting to itself, and the whole essence of the other is that the whole object of it is to let the granting authority know whether its orders have been carried out?—(Chairman.) What I meant was that—whether, rightly or wrongly, I am not entering upon that—in the one case the Governor-General in Council is the granting authority, and a report is made to him; in the other case Parliament is the granting authority, and a report is made to it. So far the analogy is complete. That does not touch the further question whether Parliament, as the supreme authority, has any communication made to it. Then, again, with regard to the independence of officers in this position, probably the correct way of putting it is this. What is sought by the arrangement in England is to get an officer in a position independent of pressure. That is done by assimilating the position of the Comptroller and Auditor-General to that of a Judge. You may say he has practically nothing to look for beyond; he has arrived at the summit of the official hierarchy. He is also irremovable, except by an address from the two Houses of Parliament. In the same way what I suppose is meant by the mention of the high position of the Indian Comptroller-General is that it is so high that he has very little more to look to.

(Sir W. Wedderburn.) I do not think so.

(Chairman.) I think that the meaning that would be attached to the statement that the high officer is independent, is that he has not got much to look to. Whether he has or not, is, of course, a question of opinion, but that is the meaning of saying that a high officer is more independent than an officer in a lower place, that a lower officer has much more to look to in the way of promotion that could be given to him?—Perhaps I may, with reference to Sir W. Wedderburn a position, quote from page 47 of the papers, in which the Government of India said: "An efficient system of audit must be such as to insure (1) audit against vouchers; (2) audit against Budget grant; (3) audit against application of grant; (4) audit against sanction; (5) audit against the powers of sanction of the sanctioning authority; (6) that all irregular and unauthorised expenditure is brought to notice," and then they go on to say in the next paragraph, "We may point out that the system of audit which is now in force in India certainly aims at the attainment of all these objects," and I think there is no doubt that it succeeds in attaining them.

1001. (Mr. Naoroji.) When, on account of the error in the estimates owing to the Afghan War, a committee was appointed here which recommended a certain scheme, and with regard to that scheme of a complete audit and so on, the Government of India said: "The organisation would certainly be far more perfect if the Auditor-General and his subordinates exercised

" no executive or administrative functions whatsoever. The question is mainly one of money. It is obvious that, if the Auditor-General and his subordinates were to carry out annually in detail an administrative audit of the whole of the accounts in all departments, a very large establishment would be required. The expense of such an organisation would be so great that we think the idea may be at once set aside." So, then, in order to have this, what would certainly have been a very great improvement, or very important, has been set aside on account of want of money, has it not?—The proposal was put aside on account of the expense.

1002. Then the Government of India proposed a certain reduced scheme instead, costing about a lakh and 53,000 rupees?—Yes.

1003. Then, again, on the side of the Secretary of State, he did not allow it?—Yes.

1004. He asked the Government of India to reduce that as well?—He asked them to reconsider it.

1005. The Government of India then proposed 55,000 rupees?—Yes.

1006. Even to that the Secretary of State for India objected, to a certain extent, and sanctioned 51,000 rupees, allowing Sir J. Westland a special allowance?—Yes.

1007. Well, all this means, then, that if there were means, that an improvement of this kind would have been very great, and it was only the want of means that induced the Government of India to ask that proposal to be set aside?—I do not think that the Secretary of State ever expressed the opinion that the proposal for an independent auditor would necessarily be a great improvement. The Government of India having accepted the view of the minority that it would be a great improvement, the Secretary of State said that he thought the expense prevented its being carried out, and they then considered what could be done.

1008. I am giving actually the words of the Government of India that it regarded it as important?—The Government of India did accept it.

1009. And had they had means, that they would have been glad to have carried it out?—That was the view of the Government of India of that day.

1010. In this memorandum, at page 48, there is a table giving the number of officers and clerks, and the annual cost comes to about 60 lacs of rupees?—Yes.

1011. Now, suppose, Mr. Jacob, the Government gave you a free hand to devise a perfect scheme, so that without any difficulty about means you might go to all necessary expense, what do you think would be the cost of such a scheme over and above this 60 lacs of rupees, just approximately?—(Mr. Jacob.) I should find it very difficult to give any idea offhand.

1012. 50 per cent., 100 per cent., or anything like it?—I think the present audit is quite sufficient.

1013. The opinion of the Government of India, as I read just now, showed that had there been more money there would have been so much improvement and a more perfect audit would have been organised. As the want of money prevented them from doing that, so they have shown that if you had more money you would be able to devise a more perfect scheme, according to the view of the Government of India?—(Sir Henry Waterfield.) I have already said that I am not at all sure that that was accepted by the Secretary of State.

1014. I am not saying that it was accepted by the Secretary of State; I am only just saying that, as the Government of India gave us to understand that if such a thing could be done it would be desirable, but that want of money would prevent it, therefore let such a scheme be put in theoretically. Suppose the Government of India could have supplied and found the money, how much more would it have been necessary, and instead of going to a matter of 55,000 rupees as a small addition, how much more would have been required to carry out what the Government of India thought a thorough organisation?—They gave what would probably be the cost of the original scheme. I think that is the lac and the 50,000 that you quote. They said that was the most that could be done. I think that is on page 18,—1,553,168 rupees. That is the estimate that they

made at the time, of the cost of carrying out the suggestion for an independent appropriation audit.

1015. In fact, they put the suggestion altogether aside, and suggested that a modest scheme to the extent of a lac and 30,000 rupees would do for the present; that is what they would recommend?—Yes, they said that the expense of such an audit in full detail would be so great that they thought the idea must be at once set aside. The plan they proposed was a reduced scheme costing a lac and 50,000 rupees. Therefore, it is quite clear that, if the Government of India had desired a more effective audit, it would have been very much more expensive.

1016. I am only giving the views of the Government of India myself?—Of the Government of India of that day.

1017. I can only speak from what is put before me. Can you tell us how much of this 60 lacs of rupees is paid to Europeans?—Mr. Jacob may know. (*Mr. Jacob.*) I could not say off-hand.

1018. We will have an approximation. Perhaps to-morrow some figures may be put in which will enable us to come to some approximate amount, whatever that is, be it 20 lacs, or 30 lacs, or whatever it may be?—(*Sir Henry Waterfield.*) I will see if I can give you any figures to-morrow. I will make a note and see about that.

1019. Now, in a despatch of the Secretary of State for India, dated the 17th July 1879 (I do not think it will be necessary for me to refer to it) in the little extract which I read, the Secretary of State said:—"I have already expressed my decided opinion that the salaries to be appropriated to native gentlemen serving in their own country must in justice to the taxpayer of India, be fixed at a lower rate than those which have been found necessary to attract the members of the existing Civil Service to leave their homes, and I think it desirable at once to lay down a clear rule on the subject. After mature consideration Her Majesty's Government has decided that the salaries to all native gentlemen appointed under the new rules, except probationers, shall not exceed two-thirds of the salaries assigned to English civilians." That is the Secretary of State's despatch. Now, supposing that the Government thought it desirable to increase that Indian contingent, there would be immediately a saving of 33½ per cent., would there not?—No.

1020. That is to say, for the same number of officials appointed in place of the Europeans. Supposing Indians were appointed, and their salaries were two-thirds what was being paid to English civilians, there would be a saving of 33½ per cent. in their salaries?—If appointed when vacancies occurred.

1021. If appointed when opportunities should be made; I do not say, to appoint immediately?—I thought you said, immediately.

1022. Without any prejudice to existing interest if the Government of India carried a scheme by which the English Civil Servants were displaced and their places taken by native gentlemen, according to this standard (which might still be further reduced) there would then be a saving of 33½ per cent. in money, so the Government of India would have at its disposal 50 per cent. more servants than it has at present, would it not?—If the officers were appointed on two-thirds of the existing salaries, and were equally efficient, there would be a saving of one-third.

1023. Then there would be this other effect of it, that whatever is paid to the Indian servants remains entirely in the country, and in point of fact does not affect the total wealth of the country. Is it not so, just as it is here. 2l 11s. 8d. are drawn per head from the people here for the purpose of State, but all that returns to the people, and therefore the fund from which the State can derive its wants is always full, as it were—the ocean kept filled by rain or river—so that the Government is able to draw as much as may be absolutely necessary. That would be the effect if the Indian Civil Service was so much Indian?—If the money is spent in the country it remains in the country, and it is conceivable that it might be taxed.

1024. That would therefore increase, or rather preserve and enable the people to increase the fund from which the Government has to draw for its own purposes; of course any waste or extravagance is quite a different thing. Now there is another question. Can

the administration and management of any expenditure of any individual or of any people be more satisfactory, or can it be effected in a more responsible manner than by that individual or that people. Supposing they had the administration and management, or at least a potent voice in the administration and management, of that expenditure?—It depends very much on the character of the people, I should say.

1025 If I am to spend my own money, I shall certainly be more careful how I spend it than if I spend for somebody else, to whom I am entirely irresponsible, and have also an interest in the expenditure, and I will not give the same anxiety to see that the expenditure for another person is not more, or not unnecessary, or that it is as much as is absolutely necessary. That is only natural?—I do not think I can admit that. Many a man cannot be trusted with his own money; someone else will look after it better for him.

1026. (Mr. Ryder) I should like to ask you, Mr. Jacob, whether, when you apply your test audit to the accounts that have been already audited, by your officers and the Provincial Accountants-General, you do that on behalf of any different authority from that on whose behalf the auditors of the Accountant-General's Department acted?—(Mr. Jacob.) No, not on behalf of any other authority.

1027. You all audit on behalf of one and the same authority, viz., I suppose, the Governor-General in Council?—Yes.

1028. Therefore we cannot say that you introduce any new element into the audit by your action. You regard the accounts from just the same standpoint as the immediate auditors do?—Yes.

1029. You do not audit the accounts in any different way from the other auditors?—No.

1030. All that you do is to apply the test which sees that they have done that which they ought to have done?—Yes.

1031. And then you compile the results of what they have done? Am I not right in saying so?—Yes.

1032. You summarise the results and show them to the Governor-General in Council?—Yes.

1033. Would it make any difference whatever if you acted on behalf of the Secretary of State in Council, and not on behalf of the Governor-General in Council?—I do not see that it would.

1034. That would not put you in any more independent position?—No. I have been Accountant-General and Comptroller-General for 8 or 10 years; and I cannot remember a single instance in which any pressure has been put upon me which could in any way be considered as improper.

1035. No. Nevertheless, when once you are satisfied that anything has been sanctioned deliberately by the Governor-General in Council, you drop the matter?—No. If it requires the Secretary of State's sanction, I require proof that this sanction has been obtained.

1036. So that, so far, you may be said to be a controller of the action of the Governor-General in Council?—To that extent.

1037. And so far you do act on behalf of the Secretary of State here in England?—Yes. That duty has only been laid on the auditors in India for the last three or four years. Before that, we never went behind the order of the Governor-General in Council.

1038. But even in that respect you only do what the Provincial Accountants-General do?—Yes, certainly.

1039-40. There is no special function that belongs to you in the matter of auditing which does not belong to them?—No.

1041. Your report is always sent to the Secretary of State in Council?—Yes, it always goes to the Secretary of State.

1042. But you do not address your report to him?—No, I address it to the Government of India.

1043. Could you insist upon its being sent to the Secretary of State if they did not send it to him?—I do not think that the question has ever arisen. It goes to him as a matter of course. It is published in the "Gazette," too.

1044. You do not audit home expenditure, do you?—No.

1045. That is done here?—Yes.

1046. (Chairman.) May I ask this question: Your report is published, you say, in the "Gazette"?—Yes.

1047. Is that by a Parliamentary Order, or is it by a Standing Order of the Government of India?—It is by a Standing Order.

1048. And, therefore, as a matter of course, it is published in the "Gazette"?—Yes.

1049. That is secured?—Yes.

1050. It is not laid before Parliament here, is it?—(Sir Henry Waterfield) No, it is not.

1051. (Sir Ralph Knox.) The treasury officers who make payments in the first instance are auditors, I suppose, as to the authority of all the payments they have to make?—(Mr. Jacob.) To a certain extent; the Government has laid upon the drawing officers the responsibility for everything they draw except salaries and establishment charges.

1052. Then the treasury officer does not examine the bills that are presented to him except in respect of some order directing payment to be made?—Yes, that is all.

1053. He does not go into the details of the charges to see that they are in accordance with any code of regulations, but only that they are approved by an authorised officer to be paid?—You are referring to charges other than salaries and establishment?

1054. Yes?—The salary charge he would never pay without the order of the Accountant-General naming the fixed salary of the particular officer.

1055. And that authority would be obtained every month for that payment?—No, it remains in force until the Accountant-General withdraws it.

1056. Therefore, he, in that case, examines the document which is presented to him to see whether it is in accordance with the Accountant-General's authority?—Yes, as regards salaries, certainly he does.

1057. As regards other payments, he only sees that they are ordered for payment by an authorised person?—Yes, that is, generally. There are a few conditions that are laid down—certain charges may only be drawn on the countersignature of a superior officer, and so on; but ultimately it does depend upon the authority of an officer who either signs or countersigns.

1058. The paying officer does not then go into the details of the charges; he does not see that a payment to a contractor is in accordance with the contract, or anything of that kind?—No, not at all.

1059. But with regard to salaries, or lists of salaries, he does examine these, because he has been authorised by the Accountant-General of the district to pass certain salaries until the authority is withdrawn?—Yes.

1060. Therefore, as regards salaries, he may be regarded as an auditor?—Yes, with reference to this definite order of the Accountant-General.

1061. He does not go into any question of rules or regulations, but he just sees he has an order from the Accountant-General to pay a definite specified salary to a certain specified officer, and when the salary of that officer would be increased there would be necessarily the order of the Accountant-General to increase it?—Yes; he would not pay him any increase until he received the order of the Accountant-General.

1062. Then the examination of the Accountant-General subsequently is in complete detail of every voucher?—Yes.

1063. Does not he accept the examination of the treasury officer in any way?—No.

1064. And he goes through every item of charge, and checks every rate and compensation and so on?—Yes.

1065. Then, subsequently to that, you apply a test examination by your officers to see that every regulation is more or less carried out?—Yes.

1066. To what extent does your test go? Is it a continuous test, overhauling all the Accountant-General's accounts, or is it only a review just at the last month of the year?—No, it is not necessarily even an annual review. The Deputy Auditor-General goes to any office that I send him to, and examines two or three months of the accounts. That comes to about a month a year on the average.

1067. But that is going on continuously throughout the year. Your officers may be in one place at one time and another place at another?—But he need not necessarily examine each office once a year; he may examine an office once every two years or once every three years, but he will take a certain period, and will examine in detail every voucher and account for that period.

1068. The responsibility that is thrown upon the treasurer in making the payments is simply that he has a formal authority to make the payment?—Yes, on the Treasury officer.

1069. I do not know that I quite understood the new powers that have been conferred upon the provincial authorities as regards their incurring new items of expenditure as within their control. Is it possible for the local authorities to estimate for an increase of the expenditure, so as to be able to present an increased Budget for any particular year?—Yes; they can enter any amount in the Budget, within the revenue, without any further sanction, provided the expenditure is within their general powers.

1070. Can they estimate an increased revenue and then propose increased expenditure as against that? If it was the opinion of the provincial authorities that the revenue would come up a lac or so in the next year, could they, as against that, propose increased expenditure, and would it be accepted?—Generally, I should say it would not be accepted, unless there was some specific cause to be assigned for the increase of the revenue. The general rule is as regards the principal heads of revenue, that we take, for the following year, the nearest estimate we can make of the probable revenue during the current year.

1071. Then, so far as their increased powers are concerned, it really depends on the revenue which has already been received, whether they can propose increased expenditure, or not?—Yes, practically; unless the expenditure is to be out of balances.

1072. Then really the power of provincial authorities is limited in this way, that they must have obtained the increased revenue before they can propose an increase of expenditure?—Yes, practically, that is what it comes to.

1073. But then, when they have ascertained the revenue that is in existence, supposing they make proposals within that to the Central Government, those proposals are, of necessity, accepted?—Yes; they are accepted as a matter of course, subject to the special limitations.

1074. They always require the special sanction of the Government for an increase of salary, and so on?—Yes.

1075. But the actual revenue must have been received during the previous year, must it not, and ascertained by fact to be a local revenue, before any proposals for increased expenditure are allowed?—Yes.

1076. As against that revenue they may add something on account of the improved balances of the previous year?—Yes, if they have obtained sanction of the Government of India beforehand for it.

1077. They have not a discretion as regards that; they must get special sanction to spend that money which is already in their coffers before they can set down expenditure against it?—Yes. The order with so any considerable expenditure from balances, is that the sanction of the Government of India must be obtained to it beforehand. No objection would be taken to a small excess.

1078. (Chairman.) Sir Ralph Knox put it to you, that the Local Government make an estimate of increased revenue. That, I suppose, is a point on which the Treasury, the Financial Member of Council, exercises a very distinct and immediate financial check; that is

to say, he would at once refuse anything like a speculative estimate of revenue?—Certainly.

1079. Then again, I think you spoke as if the expenditure asked by the local Government would be accepted—I think Sir Ralph Knox's words were "as of course,"—but I suppose the central Government would exercise a very distinct control and decide whether certain public works were necessary or not. Though they would give all due weight to the recommendation of the local Government it would not be at all matter of course that it would be adopted?—The Government of India would not enter into any detail as regards any particular public work in the province, if it were to be executed provincially.

1080. Is that left entirely to the local Government?—Entirely to the local Government.

1081. (*Sir James Peile.*) The appropriation audit was introduced in India in 1882, I think?—Yes.

1082. There had been a very great breakdown in the financial system just before then, had there not?—There had been a serious mistake in the estimates.]

1083. For the Afghan War?—Yes.

1084. A Committee was appointed in England which made certain proposals?—Yes.

1085. Those proposals were:—first, an independent audit in India; second, that there should be a final review of the Indian accounts in England under the direction of the Secretary of State for India in Council, by a committee composed in great part of members of the Indian Council or officers of the India Office, supplemented by one or two persons altogether independent of India. It was a minority of the committee that recommended that? There never has been any proposal for review or audit by a Parliamentary Committee?—Not that I know of. (*Sir Henry Waterfield.*) No; it was not proposed.

1086. The Government of India adopted, I think, the first suggestion for an independent auditor?—Yes.

1087. And said, "If the proposals we now make are adopted, your Lordship will no doubt consider that any further audit in England will not be necessary"?—Yes.

1088. In reply to that, Lord Hartington did not entertain the proposal for an independent auditor?—No.

1089. He said, "In my opinion, the Comptroller-General is the proper officer to conduct the appropriation audit; his position in the service is so high as to render him a thoroughly independent officer, who can be trusted to do his duty conscientiously and fearlessly"?—That is so; yes.

1090. He did not put it on the Government of India having no money to do it with?—He considered it unnecessary to do it, and that it was a needless expense.

1091. Then, on that, the Government of India submitted a scheme to carry out Lord Hartington's views?—Yes.

1092. They said, "By the scheme which we now submit for your Lordship's approval the essential objects of an appropriation audit will be secured"?—Yes.

1093. "And the office of Comptroller-General finally placed on a sound footing, and we trust that our proposals may receive your Lordship's sanction." The proposal then to have an audit in England had been dropped?—Completely.

1094. And the Government of India did not revive it on that occasion?—No.

1095. Then substantially that scheme was sanctioned and adopted with some little reduction?—With a slight reduction of salary it was.

1096. Then these questions were revived later by Lord Cross in 1888?—Yes, not precisely the same questions.

1097. No, but substantially. He compares, for instance, the English system?—Yes, he raised the question whether the Secretary of State had sufficient cognizance of the expenditure.

1098. And he desired in the first place that the auditors in all departments should be required to assure themselves that all expenditure which requires the

special sanction of the Secretary of State in Council has been so sanctioned?—Yes.

1099. And he also did one thing more—he requested the Government of India to take measures in the Finance Department of their Government to ensure that in all cases of proposed outlay due attention should invariably be given to the question whether such outlay did or did not require the special sanction of the Secretary of State?—Yes.

1100. That, I think, Mr. Jacob, has been done?—*(Mr. Jacob.)* Yes, it has been done.

1101. That requirement is always satisfied?—Yes.

1102. And that is the system which is embodied in the resolution given at the end of this compilation?—Yes.

1103. Do you consider that it has worked satisfactorily?—Yes.

1104. As far as the audit is concerned, there is first the detailed audit of the auditor which checks irregularities at once?—Yes.

1105. And beyond that there is the test audit which you have told us of, which catches any irregularities which may have escaped the auditor?—It does so.

1106. And I suppose that with these two provisions there is really no irregularity left to be discovered by the Comptroller-General's Appropriation Report?—No, I think not; that is my experience.

1107. That report you have told us is published in the Gazette and becomes public property?—Yes.

1108. There is only one question I want to put about the Provincial finance, and that is what are the principal objects to which Provincial expenditure is devoted?—*(Sir Henry Waterfield.)* Mainly, Education, Medical, Police, Law and Justice, Roads, the Administration of the Land Revenue.

1109. Those are the principal ones?—I think I have named the principal ones.

1109a. Medical Service means Hospitals and Dispensaries?—And there is a considerable charge under Superannuation.

1110. That I am not going into. The objects, then, are such as in a progressive civilisation would naturally be the objects on which an increase of revenue would be spent?—Yes.

1111. Directly for the public benefit?—Yes.

1112. *(Sir Andrew Scoble)* Mr. Jacob, you have been asked as if your audit merely had relation to the orders of the Government of India. Sir James Peile has just asked you whether under some recent regulations it does not also refer to the orders of the Secretary of State?—*(Mr. Jacob.)* Yes.

1113. That being so, do you not audit these accounts as much for the Secretary of State as for the Government of India?—Yes, I should say so.

1114. Well, now with regard to the Parliamentary control, you are aware, of course, that the Indian Budget, after receiving the sanction of the Government of India and the Secretary of State is submitted to the House of Commons?—Yes.

1115. And up to this time I believe it has been invariably adopted by the House of Commons without alteration?—*(Sir Henry Waterfield.)* It is not quite correct to say it is adopted. The resolution is a formal one, and it passes.

1116. Well, resolutions are passed which enable the Government of India to spend money for which provision is made in the Budget?—No, the resolution which the House of Commons passes is merely a statement of the facts which appear from the accounts; it does not deal with the Budget at all.

1117. Practically, it comes to this, that the House of Commons accepts the accounts on which the Budget is framed?—Yes, it accepts the accounts.

1118. Therefore it sanctions the Budgets?—It does not sanction the Budget of the year in which the statement is made.

1119. Is not that included in the financial statement which is submitted to the House of Commons?—Yes. The statement made by the Secretary of State explains the Budget, but the resolution which the House of Commons passes does not touch the Budget; and I hardly think it would be right to say that the House of Commons accepts or sanctions the Budget *sub silentio*; it finds no fault.

1120. Silence gives consent?—Yes.

1121. Would you think it part of your duty as Auditor-General to take into consideration a vote in the House of Commons varying these proposals, and to give effect to such a resolution?—(Mr. Jacob.) If a resolution were passed altering the Budget?

1122. Yes; what would be your position in relation to such a state of things?—I hardly know how to answer that. (Sir Henry Waterfield.) I think the answer that I should give would be that the action of the House of Commons must be communicated to the Government of India by the Secretary of State, and the Comptroller-General would act under the orders of the Secretary of State and the Government of India in regard to any alteration Parliament had made.

1123. That was the answer I expected. Then, in point of fact, in auditing these accounts for the Government of India you also audit them for the Secretary of State, and, also as a result, for the information of the House of Commons?—The Auditor's report is not communicated to the House of Commons; it could be, of course.

1124. It is a public document?—Yes, it is a public document.

1125. It is published in the "Gazette," and could be laid on the table of the House of Commons on the motion of any member of that assembly?—Certainly.

1126. Now you were asked about the opinion of the Government of India in 1882 with regard to improvements in the system of control; let me know what its opinion was in 1889. Will you look at page 50 of this compilation, Sir Henry Waterfield—paragraph 17. It states of the existing system of audit that it is well adapted to secure all the objects for which it is suggested that the appointment of an independent auditor might be advantageous; and further, at the end of the same paragraph, after pointing out the particulars in which the existing audit answers all the purposes which the appointment of an independent auditor might be expected to effect, it goes on to say, with regard to the question of cost, that the increased cost involved in such an arrangement, that is of an independent audit, would be "out of all proportion to the advantage gained, and the financial position of India is not such that we can recommend the undertaking of a service of which the usefulness is doubtful" ?—Yes.

1127. Was that opinion concurred in by the Secretary of State?—Yes.

1128. There is a further opinion to which I wish to call your attention and that is at paragraph 7 on page 57. Lord Cross, the Secretary of State, says, after recognising the efforts made by the Government of India in the matter, "In the hope that the more stringent rules now laid down will, to a great extent, obviate laxity, and that, if errors should occur, they will be promptly brought to the notice of the Government, both in India and in England, through the report of the Comptroller and Auditor-General, I concur in your Excellency's view that it will be better, for the present, at any rate, to allow the existing system, as recently modified, to continue, in order that I may learn by experience whether the orders that I have given are sufficient to secure to the Secretary of State in Council the power of efficient control which it was intended by Parliament that he should exercise." That was in November 1889. After the experience of six years, are you able to say whether or not the system of audit then introduced has proved successful for the purpose which Lord Cross had in view?—I think it certainly has. I gave the Commission yesterday a list of the instances which I have found after careful search, in which it appeared necessary for the audit officers to report that the Secretary of State's sanction had not been sufficiently obtained; in most cases it was merely a question of discretion, of interpretation; but in all such cases the Government of India at once reported it, and the Secretary of State was made cognizant of the facts immediately.

1129. Then I take it that (in your opinion) the present system of audit is sufficient and successful?—I think it gives the Secretary of State full knowledge, and is sufficient and successful.

1130. (Mr. Naoroji.) Can any member of the House of Commons at all propose any motion to reduce any item in a budget when that budget is brought forward, or is it simply a form that such and such has been the budget adopted? Can any member propose a motion that a certain item, say the salary of the Viceroy, should be reduced by 5,000l. ?—The motion which is proposed is simply a formal record of the accounts,

A member can bring forward a motion that some expenses in India ought not to be allowed, but that would be a distinct motion.

1131. That is when the Speaker leaves the chair to go into Committee?—On the motion to go into Committee.

1132. But on the Budget itself we cannot propose any amendment to any item in the Budget itself; it is simply a record of a fact, that such and such are the accounts?—The resolution which is finally proposed is simply a record of facts.

1133. Then I may ask another question, I think I understood you to say that the proposal made in 1882, or the suggestion made in 1882, was somewhat different from that which was ultimately regarded by the Government of India as satisfactory; that there was a difference between the proposal made in 1882 and 1883?—Certainly, the Government of India in 1889 thought the proposal made in 1882 too expensive.

1134. (*Sir Donald Stewart.*) In respect to the mistakes made with regard to the expenses during the Afghan War, can you explain whether the mistake was due to the system of accounts then in force, or to any want of vigilance on the part of the audit officers, and whether a similar mistake could occur again under the existing rules?—(*Mr. Jacob.*) I should say it could not occur under the existing rules.

1135. Can you explain how the mistake occurred then?—The chief mistake was that the finally audited accounts were taken as the first intimation of the progress of the military expenditure, instead of the preliminary accounts which are now submitted to the Government of India, and which show the issues to the Military Department at once.

1135a. (*Chairman.*) I think, Sir Henry, that the resolution of the House of Commons is put in this form:—"That it appears by the accounts laid before this House that the total revenue of India for the year ending the 31st day of March 1893 was Rs. 90,172,438; that the total expenditure in India and in England charged against the revenue was Rs. 91,005,850; that there was an excess of expenditure over revenue of Rs. 833,412, and that the capital outlay on railways and irrigation works was Rs. 3,986,290." Therefore, I suppose, first of all, there would be a power of making a motion on going into Committee on the Accounts of India, which might be carried; and next, I suppose, when the resolution is put, it would be in the power of a member of the House of Commons to submit, instead of that, another resolution. (*Sir William Wedderburn.*) It has been ruled by the Chairman of Committees that it must be something that negatives the correctness of the resolution, and last year the Chairman allowed an amendment which I moved to the effect that, in a certain respect, the accounts were incorrect and misleading. (*Chairman.*) Therefore the only amendment that could be moved would be on going into Committee on the accounts of India. (*Sir Henry Waterfield.*) I think you are reading from Hansard. That relates to the accounts of the closed year, and not to the Budget for the year then current.

1136. Quite so. Well, I suppose in that case, if there had been an error, it might be made the subject of censure?—If there was an error in the statement of accounts, if, in drawing up that resolution for the Secretary of State, I was to make an error in the statement of facts, any member might correct it.

1137. But then that would not apply to the mistake of 1880, because when the accounts were finally audited then they were correct?—Oh, no, it would not have affected that at all.

1138. In the case of pensions, your officers in auditing them see that the pension has been duly authorised; and then, I suppose, they require proof that the person who comes before them is the person to whom the pension ought to be paid?—(*Mr. Jacob.*) Yes; the Accountant-General actually reports the amount of the pension permissible.

1139. I mean there is no difficulty?—No, not as regards identification.

1140. (*Mr. Buchanan.*) There is no control as to whether the pension is granted in conformity with the terms of the Pension or Superannuation Act under which you act?—Oh, yes; we should certainly object to

any pension which is granted outside the rules, and should require the Secretary of State's sanction to be obtained to it.

1141. Where and by whom would your objection be taken?—By any auditing officer.

1142 I understood from your answer to Mr Ryder, that the local auditors simply acted upon your instructions as to paying *A B.* so much money, whether for salary or for pension?—That was to Sir Ralph Knox, I think. The Treasury officer acts upon the authority of the Accountant-General, but the Accountant-General is an auditing Officer, and he would be entitled to take objection, and would take objection to any pension which was sanctioned outside the rules.

1143. He does so?—Yes, he does

1144. And such irregularities are dealt with?—Yes.

1145, (*Mr Naoroji.*) I understood Sir Henry Waterfield to mean that it depends upon the character of the person to whom you entrust the expenditure, though the party himself concerned may not have a voice in it. Am I right I said where an individual or a people have the expenditure not in their own control it cannot be well administered or managed, and then you said it would depend on the character of the person?—(*Sir Henry Waterfield.*) Yes.

1146 I suppose the character of the Government of this country is certainly above any cavil, quite high enough to be entrusted with the expenditure, and yet the people of this country will not have anything to do with things of that kind, unless the Budget of the whole thing is under their very control; is it not so?—Yes

The witness withdrew.

Adjourned till to-morrow at 11 a.m.

Confidential.

INDIAN FINANCE COMMISSION.

At the India Office, S.W.

THIRD DAY.

Thursday, 7th November 1895.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN), PRESIDING.
THE RIGHT HON. LEONARD COURTNEY, M.P.
THE RIGHT HON. W. L. JACKSON, M.P.
SIR WILLIAM WEDDERBURN, Bart., M.P.
FIELD MARSHAL SIR DONALD STEWART, Bart.,
G.C.B., G.C.S.I.
SIR E. W. HAMILTON, K.C.B.
SIR RALPH KNOX, K.C.B.
SIR JAMES PELLE, K.C.S.I.
SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
MR. G. L. RYDER, C.B.
MR. T. R. BUCHANAN, M.P.
MR. W. S. CAINE.
MR. DADABHAI NAOROJI.
MR. COLIN G. CAMPBELL, Secretary.

MAJOR-GENERAL SIR OLIVER NEWMARCH, K.C.S.I.,
called and examined.

1147. (*Chairman.*) What position did you hold in India?—I was Military Accountant-General and subsequently Secretary to the Government of India.

1148. Not Military Secretary?—Yes.

1149. The military officers being, first of all, the Military Members of the Council, and next the Military Secretary?—Yes.

1150. Next comes the Military Accountant-General?—Yes. He is a deputy-secretary in the Military Department. He has two offices—he is the Military Accountant-General and he is also Deputy-Secretary of the Military Department.

1151. Therefore he is second officer in the Military Department?—Yes.

1152. And for how long did you hold those offices, and when did you cease to hold them?—I was Military Accountant-General from 1878 to 1885, and I was secretary, acting and permanent, from 1885 to the end of 1886.

1153. And at the end of 1886 you came home?—Yes.

1154. Therefore your knowledge of the military regulations, and the military law, of India is limited, at all events in detail, to that time?—Yes. There have been a great many changes in the system since then.

1155. But from subsequent connexion with the India Office, are you acquainted generally with the changes which have taken place?—Yes.

1156. That is to say you would be able to tell us if regulations which were in force when you were in India have been so far modified since as to require some further explanation?—To some extent, I should, no doubt.

1157. Do you hold any position in the India Office now?—I am Military Secretary there.

1158. May I ask, first of all, as to the position of the Military Member of Council compared with that of the

Commander-in-Chief; as I understand, the Military Member of Council roughly corresponds to the War Minister here?—Quite so.

1159. And—very roughly, of course—the Commander-in-Chief would correspond to the Commander-in-Chief here?—Certainly. The Military Member deals with the Departments and the financial side of the army, and the Commander-in-Chief deals with the *personnel* and the executive side.

1160. They are never the same?—No, never.

1161. And the Commander-in-Chief is *ex-officio* a member of Council, is he not?—Yes.

1162. Therefore the Military Department may be said to have two representatives on the Viceroy's Council?—Yes.

1163. Of course here the Secretary of State is responsible to Parliament, and therefore, I think, it has been ruled that his authority, within the whole Department, is paramount, inasmuch as he is responsible to Parliament?—Yes, certainly.

1164. Does the Military Member of Council occupy the same position in India—is he the superior officer—or are the Commander-in-Chief and the Military Member absolutely independent of each other?—No, the Commander-in-Chief, as regards all finance matters, is subordinate, not to the Military Member in Council, but to the Government of India.

1165. In the Military Department, I suppose?—The Government of India as a whole—the Governor General in Council—delegates to the Military Member the power of dealing with military expenditure, within certain limits; anything beyond those limits would be referred to the Governor-General in Council.

1166. Of course we are only dealing with finance; and on a financial question, supposing there to be a difference of opinion between the Commander-in-Chief and the Military Member of the Council, would the Commander-in-Chief have to give way to the Military Member of Council, or is that a matter in which their authority is exactly equal, and therefore the Governor-General would have to decide?—The Military Member of Council has no authority to over-rule the Commander-in-Chief on any important matter without going to the Governor-General.

1167. We have heard from Sir Henry Waterfield and Mr. Jacob a general concise description of the financial administration of the War Office in India; but the Commission desire to hear from an officer of the War Office itself, his view of that administration and of its relations to the Finance Department. I think you have had the opportunity of looking through the evidence that has been taken?—Yes; I have seen that. I have very little to add to what Sir Henry Waterfield has recorded in that; I think in this army circular, which was published on the re-organisation of the army in India the other day the whole military system of finance is laid down.

1168. Is that a recent document?—It was published in October 1894, and came into effect from the 1st of April 1895.

1169-70. Is it a long document?—That is the paper. It gives the whole system of military finance.

(*Chairman.*) Of course this document could not be put in or appended to the Report of the Commissioners, but I dare say two or three copies would be obtainable by such of the Commissioners as might desire to consult it, would not they?—Yes.

1171. (*Sir Ralph Knox.*) It is a public document, is it not?—Yes; a public document.

I think if copies were obtainable here in the Commission it would be useful.

1171a (*Mr. Buchanan.*) Was that circular issued in view of the new arrangements of the commands?—Yes. Some of the rules are old, but they are adapted to the new system of four commands, on the abolition of the Commands-in-Chief in Madras and Bombay.

1172. (*Chairman.*) That is, as it were, a new code consequent on the abolition of those commands?—Yes; quite so.

1172a. I use the "War Office" as a convenient term. Of course, I understand it is the Governor-

General in the Military Department. We understand that the War Office is administered by the Military member of Council; that under him comes the Military Secretary and the Military Accountant-General; under the latter come again the four Military Controllers attached to the four military commands, and under them the Military Disbursing Officers?—Yes; that is correct.

1173. Could you tell us what is the strength of the establishment of the Military Accountant-General at Calcutta?—There are three officers; the Accountant-General, the Deputy Accountant-General, and the Assistant Accountant-General.

1174. And under them have you a large staff of clerks?—Yes. I cannot say exactly how many, but a staff of clerks which is part of the office establishment of the Military Department.

1175. It is a separate branch?—It is a section of the Military Department Office.

1176. I wish to understand what is the kind of business that comes there. The Military Accountant-General is actually responsible for the collection of a great number of returns, or for the compilation of them, and for the keeping of the very extensive accounts which the military establishment of India involves?—Yes, that is so, but he is more a consolidating officer; he gets no direct accounts himself, he simply gets the compiled accounts from the Controllers.

1177. And, therefore, his function is really summarising and digesting into one set of accounts, those accounts which come to him already reduced to order?—Yes, he is more, if I may say so, a Deputy Financial Secretary in the Military Department of the Government of India.

1178. But at the same time I suppose he is responsible for seeing that the finance of the War Department in India is conducted regularly and in accordance with authority?—Certainly.

1179. And, therefore, he must receive and judge a number of reports in order to satisfy himself on that point?—Yes.

1180. Then in each of the four commands there is a Controller; has each of these Controllers a large staff under him?—Yes; each Controller has an Examiner of Commissariat, Remount, and Medical Accounts, a Pay Examiner, and an Examiner of Ordnance and Clothing Accounts.

1181. That makes four or five examiners?—That makes three, really, because the Ordnance Accounts are examined by the same examiner as the clothing accounts. One examiner does those two—ordnance and clothing.

1182. And those officers are purely audit officers?—They are purely audit officers, but the Pay Examiner also pays Staff and departmental officers.

1183. We shall come afterwards to their functions, but first of all I should like to take the disbursing officers?—Yes.

1184. Of course the Controller has a considerable number of disbursing officers at the place where he is stationed, which must be the central office?—No; only the Pay Examiner, as explained above.

1185. But under him there are disbursing officers at the different stations, are there not?—Yes, a great many, but they are not directly under the Controller; they are not part of his establishment.

1186. They are under the Controller?—No, not as part of his establishment. The Regimental Paymaster, for instance, is a Disbursing Officer, under the Controller to a certain extent, but not part of his establishment.

1187. They would not in fact be paid through him?—No.

1188. And he would not be responsible for increases of salary to them, or reductions or increases in their number?—No.

1189. Therefore we may take it that the disbursing officers whom you have described are officers of the War Department not immediately under the Controllers and are stationed wherever troops are stationed?—Yes,

speaking generally, wherever troops are stationed. I can tell you who they are.

1190. Have you got anything to show us the particulars of one command, the number of officers, and the number of stations?—For instance, every Commissariat Officer of a large station is a disbursing officer; every Regimental Paymaster, or Commanding Officer of a native regiment or battery, is a pay officer; the Superintendent of Family Pensions is a disbursing officer; the Pension Pay Officer, Poona, is a disbursing officer; the Military Paymaster at Bombay and Rangoon is a disbursing officer; and the Remount Officers and the Clothing Officers—they are disbursing officers. I think that is about all the disbursing officers.

1191-2. Would they come under one head of the Budget?—No, they come under all the grants.

1193. Can you show us in the Budget one place where any number of them occur?—Well, Grant 4, for instance, commissariat.

1194. I have got commissariat accounts. Do you mean on page 36?—No; if you look at page 50.

1195. Are we dealing with the same estimates?—I think so.

1196. 1895-96?—Yes.

1197. Page 50?—Commissariat establishments.

1198. Yes. Commissariat officers of large central stations are disbursing officers.

1199. Going down to the Assistant-Commissaries General, I suppose?—Yes.

1200. Or lower than that?—Yes.

1201. Exactly; they are put under the commands here. And all those officers in the course of their duties have payments to make, and are entitled to draw for money on the district treasury?—They get a cash assignment at the beginning of the year.

1202. Would there be any difficulty in putting in a return of the number of Disbursing Officers and the number of stations?—No; no difficulty. Would you wish that?

1203. I should like it if it does not involve too much labour?—No.

1204. What number of stations may there be in a command—that would probably give one an idea of the number of Disbursing Officers?—I could not give you that from memory, but there is a number.

1205. (*Sir Ralph Knox*.) Does a Commissariat Disbursing Officer discharge any other duties besides that of merely making those disbursements?—Yes. The arrangements for the commissariat supplies and service are conducted by the principal officer and his subordinates, one who makes payments and submits accounts.

1206. He is not only a Disbursing Officer?—No.

1207-8. (*Chairman*.) I suppose the duties of Disbursing Officers in districts which are very large, at great centres, would be heavy, and at small centres, where there is a small number of troops they would be very light?—Yes; at some stations there would be no Commissariat Officer at all. In that case the only Disbursing Officer at that station would be the officer commanding the regiment or battery there; they are Disbursing Officers.

1209. I think, perhaps, it would be convenient if, following out the manner in which money is appropriated and spent, we first of all were to take briefly the method of preparing the estimates; then pass on to the method in which money is issued under the budget; and lastly, the manner in which the audit is conducted. Would you tell us the manner in which the military estimates are prepared; but, in the first place, I should like to ask as a general question whether there is any regular consultation, before the estimates are prepared, in which the financial circumstances of the time are considered and the amount that is available for army expenditure is discussed, so that there may be an opportunity for ascertaining early whether reductions are necessary or possible?—Yes, that always takes place every year. The Commander-in-Chief is present. He confers with the Military Member of Council, and subsequently the Military Member of Council confers with the Financial Member.

1210. And that is before the estimates are set on foot?—No, before they are finally settled, that is after the estimates have come into the Military Department.

1211. But the point is, whether any general consultation takes place before the estimates are finally settled, in which the financial position is taken into consideration?—Certainly.

1212. Is that consultation confined to those two or three officers, the Commander-in-Chief, the Military Member, and the Finance Member?—Yes.

1213. Or does it take place in Council?—No, it does not take place in Council, but of course in any very important case the matter might be discussed in Council.

1214. That is to say, when the Finance Member comes into consultation and differs from the Commander-in-Chief and the Military Member of Council, then the question would go to the Governor-General, and probably to the Governor-General in Council?—It would be discussed in Council; certainly.

1215. Would you tell us how the estimates are prepared, perhaps beginning from the bottom; who are the people entrusted with the duty of compiling them?—Every Disbursing Officer sends in an estimate for the following year to the Controller of Military Accounts.

1216. That is to say, from every station there arrives an estimate of expenditure at that station under the different heads?—Not from all stations, only from Disbursing Officers. Every Disbursing Officer sends in an estimate of his requirements for the following year, and every Departmental Officer sends in a statement of his requirements for the following year, and all these are consolidated by the Comptroller of Military Accounts.

1217. Into one estimate for the province?—Into one estimate for the command, and then those estimates are all sent up to the Military Accountant-General, who consolidates them into one estimate for all India, very much in the form which you see here.

1218. And are those estimates as they are originally formed based on the maintenance of the *status quo*?—Yes, on existing facts.

1219. Is there any date by which the Disbursing Officers are bound to send in their estimate?—Oh! yes, the dates are fixed, so that they all reach the Government of India in ample time for consideration of the Budget estimates. You have had that evidence from Sir Henry Waterfield.

1220. We have had from Sir Henry Waterfield the process of the compilation of the estimates at headquarters. I want to get from you by what date they reach the Military Accountant-General, and what time he takes to consolidate them, so that he may place the Government in possession of the consolidated estimate?—He closes the Military Budget estimate on the 25th of January.

1221. The Accountant-General does?—The Accountant-General does.

1222. And then of course as soon as he has done that, the estimate is ready for the consideration of Government?—Yes.

1223. And that means that by the 25th of January he must have concluded his own discussions with the Controllers in each command?—Yes, he has got by that time all their consolidated estimates, and he consolidates them into one for the Government of India.

1224. But when he comes to look through them, I suppose he may object to certain charges which are put down by the Controllers, may he not?—Yes, certainly, and he may reduce their estimates if he thinks proper, if he thinks they have estimated too high.

1225. For instance, they may have taken the prices of stores and provisions too high: it would be for him to revise that I suppose?—Yes, or some orders of Government may have been passed intermediately between the preparation of the estimate by the Controller, and the date of its being compiled by the Accountant-General, and he takes that into account.

1226. Then he must require a certain amount of time after he has received the estimate from each command to satisfy himself that the estimate in each command is correct?—Certainly.

1227. Then immediately after the 25th of January he puts the consolidated estimate before the Military Member of Council, and in fact, before the Government of India?—Yes.

1228. After the estimates have left his hands, are there any further consultations and discussions in which he takes part?—Certainly, that is the time when the consultation with the Military Member of Council, and the Commander-in-Chief, and the Financial Member takes place, and they can then issue any orders they please as to an increase of the estimate, or any reduction, if possible, before it goes finally to the Financial Department formally in a final shape.

1229. We have heard from Sir Henry Waterfield, that somewhere about the last week in March is the time when everything must be concluded, and the Budget estimate of the Empire entirely completed?—Yes.

1230. Therefore, you may say that from the time the Accountant-General completes his estimate, there are about two months left for the consideration of his estimate and for checking it together with other estimates from other departments by the Comptroller-General?—Something less than two months.

1231. Then when the Budget has been passed, the money it provides is appropriated by the Governor-General in Council—in Executive Council, is it not?—It is simply passed: it is accepted by the Financial Department.

1232. Not accepted by the Council formally?—No, by the Finance Department. The Finance Department has already submitted it to the Governor-General, and possibly it has been discussed in Council, but it comes to the Military Department as formally accepted from the Financial Department.

1233. But does it ever come before the Governor-General in Council, so that the general provision for the year is discussed?—Oh, certainly.

1234. It does not come before the Legislative Council?—No, the Executive Council.

1235. As we understand, it is the Governor-General in Executive Council who appropriates the Revenues of India to the different branches of the public service?—Yes.

1236. Do you mean that the military estimates are separately before the Governor-General? Eventually the complete Budget, including Military and Civil Expenditure, would come to be considered as a whole by the Governor-General in Executive Council?—Both would go before the Governor-General in Council.

1237. Then when the Budget has been accepted by the Governor-General in Council and comes back again to the Military Department from the Finance Department, how is the money assigned to the different branches entrusted with the military expenditure?—Each Controller then sends the Disbursing Officer an assignment on the Civil Treasuries for the whole amount of the year, divided into months, and the Disbursing Officer can only draw on that assignment up to the amount provided for up to that month, that is, he could not draw at the end of May more than the amount which was provided for the two months of April and May together, month by month.

1238. Does the Controller, in each command, inform the Treasury independently of the amount of the assignment, or does the Treasury only learn that from the Disbursing Officer of the district?—The Treasury Officer learns it from the Accountant-General of the province.

1239. The Controller, as it were, opens a general credit with him in the name of the Disbursing Officer?—For a certain amount. He communicates that credit to the Treasury Officer through the Accountant-General of the province and also to the Disbursing Officers.

1240. Therefore, the officer in charge of the Treasury knows that the Military Disbursing Officers are authorised to draw upon him for a certain amount during the month?—Yes.

1241. But in case of emergency, or in case of a sudden demand of any kind, there is a power on the part of the

officer in command of the station to open what I may call a supplementary credit with the District Treasury, subject to reporting such a fact to head quarters, is there not?—If it was not very emergent the Disbursing Officer would apply to the Controller for a supplementary cash assignment. If it was very emergent he would go to the officer commanding the station and get an order for the amount, and the officer commanding the station would report that the same day to the Controller of Military Accounts. The Disbursing officer would also report that he had applied for this extra assignment.

1242. The Disbursing Officers act under the Military Code do they not?—Yes.

1243. Is that Code very minute?—Yes.

1244. I ask the question because the volumes which we have seen of the Codes under which officers act in India are quite necessarily, no doubt, numerous?—In addition to those codes there is the Pay Code which is the guide really for all Disbursing Officers as regards pay, and allowances, and so on. There are also various Departmental Codes, such as ordnance, commissariat, &c. They would not be authorised to pay anything which was not provided for by these regulations, that is, independent of the Account Code.

1245. Quite so. In the case of any payments they make for pay and allowances, they must satisfy themselves that they are in accordance with those regulations?—Yes.

1246. May I ask whether, in your view, the Military Code—the Military Account Code—is, as far as circumstances will admit, simple and intelligible?—I think so.

1247. From what you have seen?—I think so. I think it is very well understood in practice by those who have to deal with it.

1248. Exactly, that is what I mean?—I think so.

1249. In the interpretation of the Codes, they are not so complicated as to lead to unnecessary correspondence and friction between the Disbursing Officers and the persons who are entitled to receive money?—I should be rather sorry to express an opinion about that. There is correspondence, of course—a good deal of correspondence.

1249a. I am speaking on the question of the interpretation of the rules, whether the rules are of so minute and complicated character as to give rise to questions?—No, I do not think they are.

1250. You have already told us that the Disbursing Officers at a station are three or four, we will say, in number. Take an ordinary station; there are the Commissariat Officer, the Ordnance Disbursing Officer, and so forth; is an assignment made by the Controller in favour of each of these officers to a district treasury?—Yes. Each officer. The Ordnance Officer does not get a cash assignment.

1251. He does not?—No, he does not have any cash accounts of that kind.

1252. You have told us just now who the officers are. Would you mind repeating to us—take an ordinary station—who would be the Disbursing Officers?—The officers commanding native regiments.

1253. They are Disbursing Officers?—And batteries.

1254. Yes?—The Paymasters of British Regiments, the Commissariat Officers, the Circle Paymaster (Bombay and Rangoon), the Superintendent of Family Payments (Madras), the Officer in charge of Pensioners (Poona), the Remount Officers, and the Clothing Agents.

1255. And a credit is opened in favour of each of those officers?—Each one.

1256. You said just now the Ordnance Officer has no credit opened in his favour?—No.

1257. How are his payments made?—He gets for payment of temporary and extra establishments a permanent advance from the Controller, which he has to draw month by month.

1258. Therefore he has probably at times a large balance?—No, he gets a fixed permanent advance.

1259.-60 Where does he keep that advance?—He may make arrangements for a Treasure chest in his

own office, or he may open an account with a bank at the station. All his bills for supplies are paid by the Commissariat Officer; he does not pay them. He gives the Commissariat Officer a bill vouched for and supported by the authority of the Inspector-General of Ordnance, and the Commissariat Officer pays that bill without further check, so that the Ordnance Officer has no cash account or cash assignments.

1261. For stores you may say?—For stores, yes.

1262. Then the sums that are issued to him are for what kind of expenses?—The expenses of temporary establishments, and petty charges.

1263. It is comparatively small?—Comparatively small, certainly. The amount is fixed by the Inspector-General of Ordnance.

1264. Is it for contingent expenditure?—Contingent expenditure.

1265. (*Sir Ralph Knox*) That would include some small payments for labour, I suppose?—Some small payments for labour, yes. The establishment charges are on a separate account.

1266. (*Chairman*) Why is there a difference between him and other Disbursing Officers that he should have an advance which the other Disbursing Officers do not appear to have?—The other Disbursing Officers have a regular cash assignment for the whole of their expenditure, they do not, therefore, want any advance.

1267. The distinction, if I understand you, that you wish to draw is that the other Disbursing Officers have a cash assignment upon which they can draw for the whole of their expenditure?—Yes.

1268. Whereas the main part of the Ordnance Officer's expenditure is paid through the Commissariat Officer; therefore he only wants a small sum for contingencies?—Yes.

1269. In that respect he is like the other officers who are allowed, if they like, at the beginning of the month, to draw the whole sum assigned to them to cover their contingencies?—No, he gets one advance which is always with him, a permanent advance.

1270. He has a permanent advance of 10,000 rupees, or whatever it might be?—A permanent advance that goes on throughout the year.

1271. Is there any reason for that? It appears to be an exception to the ordinary method in which the financial business is conducted?—It saves him the trouble of keeping accounts, and to a certain extent it saves trouble to the Military Accounts Officers also, who have fewer accounts to deal with.

1272. Is not that rather an argument for doing the same to all these officers? I do not quite see why it is specially necessary that the Ordnance Officer should have a standing advance, when the others do not?—I am afraid I cannot answer that question. It was introduced very many years ago. They never have been Disbursing Officers.

1273. Is it really a very petty standing advance that is made?—I cannot state the exact amount. It is fixed in the manner already explained.

1274. (*Sir Ralph Knox*.) But he accounts for that expenditure?—Certainly.

1275. Therefore, he has to keep an account?—Just for those petty charges.

1276. (*Chairman*.) And I suppose he accounts for that monthly?—He replaces the money so spent by submitting bills for his petty charges.

1277. It does not seem to save the Ordnance Officer very much trouble in the matter?—Well, it does. He has only this one small cash account; he has not got to send in a regular cash account going, like the Commissariat Officer has, into a great many items.

1278. Now put an extreme case. Is it in the power of the Disbursing Officer to draw, we will say, on the first of the month the whole of his assignment, or if he did so, would the Paying Officer, the Civil Treasury Officer, call attention to the fact?—Do you mean the whole of his annual assignment?

1279. No. I think you told us there was a monthly assignment?—No. The paymaster, Native troops, draws the monthly assignment in one cheque, the regimental paymaster, British troops, draws it in four

parts at four different periods of the month. The Commissariat Officer pays his various bills by cheque; he could not want to pay it all at the beginning of the month. Most, of course, of the larger items are in the earlier part of the month, but he pays them by cheques.

1280. Do I understand that his cheques are drawn on the Civil Treasury within the limits of his assignment, just as a man draws a cheque on his banker?—Yes.

1281. He does not actually draw the money himself and pay that money to the person to whom it is owing, but he gives a cheque?—He gives a cheque for sums over 10 rupees, everything under 10 rupees he pays in cash from a small cash balance which he draws from the Treasury by cheque.

1282. And that 10 rupees limit really corresponds very much, I take it, to the services for which the Ordnance Officer has a standing advance?—No; the Ordnance Officers have rather larger payments than 10 rupees.

1283. Quite so. But they are of a similar character, are they not? they are both for a contingent charge?

1284. (*Mr. Courtney.*) What we call a petty cash account?—Yes.

1285. (*Chairman.*) Now for the payment of British troops, you say the officer in charge of the payment of the troops draws four cheques monthly?—Four cheques monthly.

1286. That makes roundly one weekly payment?—Yes.

1287. Does he draw the exact sum which he has to pay or a round sum to cover that charge?—He draws, approximately, a round sum. The troops are paid weekly and so he draws this one-fourth in four weekly payments.

1288. He is entitled to draw for one-fourth of the monthly charge?—Yes.

1289. That is for regimental payments. There are other payments besides the payment of the troops, are there not? There are contingent payments of different kinds?—Very slight.

1290. Next take the officer in charge of pensions, which, of course, throughout India is a very large and heavy service. In what way is that branch of the expenditure conducted? I think you described an officer in charge of pensions?—Yes. That is in Madras and at Poona. Elsewhere the native pensioners are now paid through the Civil Treasuries.

1291. Therefore the Military Department is relieved of them?—Yes.

1292. Could you tell us in what way the Government satisfy themselves that the pensioners are really the persons who are entitled to draw the pension?—There are descriptive rolls for the guidance of the Treasury Officer who makes the payment.

1293. And does the pensioner always appear before this officer?—Yes; he appears in person, unless he is specially exempted from appearance, perhaps it is a woman, who does not appear in public and the Treasury Officer satisfies himself as to her identity before he makes the payment. But otherwise all the pensioners appear in person and draw their pension.

1294. Within your knowledge has it been found on the whole that the system is a sufficient one to prevent fraud?—The system was introduced since I left India, so I cannot speak very positively about that. When I was in India the pensioners were paid by the officers of the Military Accounts Department, who used to go on tour in the winter and in the summer, and the pensioners were collected at various stations and they then paid them in person. But that has been changed since I left India, and they are now paid through the Civil Treasuries.

1295. The officer in charge of the Civil Treasury, who had nothing whatever to do with the army, would, if I may so put it, be more easily imposed upon than a military officer?—It is possible.

1296. (*Mr. Courtney.*) But I suppose the number pensioned is very large indeed?—Very large.

1297 Would not the pensioners produce some paper bearing the signature of some military officer?—Yes, he has his pension certificate.

1298 I do not mean his original pension certificate; but would he not duly appear before a military officer before being paid?—He does not do so at present.

1299. (*Chairman*) He merely comes and produces his original grant, and says, "I am the person entitled under that grant," and, as I understand, the Civil Treasury Officer is not bound to go further than that?—The Treasury Officer compares his statement with the descriptive roll that he has got, asks him a few questions to satisfy himself as to his identity, takes evidence from other pensioners, and then pays him the money. I think, at home, there is a similar system of paying through the post office.

1300. Perhaps the Accountant-General of the Army will put one or two questions on this point?

1301. (*Sir Ralph Knox.*) All the pensions are paid through the Post Office at home. Have you many stations at which these payments are made?—Yes, a considerable number.

1302. Have the recipients to travel any long distances in order to be present at these payments?—No. They choose their own station for payment, it is somewhere near their homes—the nearest station to their home.

1303. What distance does that mean?—It might be 20 miles; it might be 50 miles.

1304. But they have to travel that distance in order to receive their pension?—Yes.

1305. Is not that complained of as being inconvenient?—Not that I am aware of.

1306. But they come from these long distances as strangers, more or less, to the stations at which they are paid; they are not known at the station, except as coming to receive their pensions?—They are generally brought up at first by old pensioners who vouch for their identity; then they come twice a year or more, and are soon well known.

1307. These payments are made only twice a year?—Twice a year or quarterly, but they can be paid monthly if they wish it.

1308. For the information of the Commission, I may say that the payments of the pensioners at home—army pensioners—are paid monthly, and paid by means of the postal orders practically.

1309. Do the recipients of the pensions bring with them any certificate as to their identification?—Yes; they bring their original pension certificate.

1310. But no certificate that that person is alive, or was so within recent date?—No; the men or women themselves are present, and the Treasury Officer compares the pension certificate with the descriptive roll, which he has in his office, with certain distinguishing marks on the person, and so on.

1311. But does he examine the individual in that minute way?—Yes, and, if necessary, he takes evidence from other pensioners.

1312. But that is the check which you have upon the identification of the person; you rely upon the paying officer being able to recognise the person who comes for the payment?—To recognise and identify him by the descriptive roll which he has got before him, and by other evidence as I have explained.

1313. (*Chairman*) But the pensioner claiming the payment brings no life certificate signed by a known authority who vouches for his identity?—No.

1314. Taking the payment of bills of supply—civil bills—I think I understood you to say just now that the Disbursing Officer holds practically no balance, except for contingencies; he simply issues a cheque to the person entitled to payment, upon the Civil Treasury?—Yes.

1315. Within the limits of his monthly assignment?—Yes.

1316. We have understood that the Civil Officer at the head of the District Treasury is bound to see that the drafts upon him are in accordance with regulations. In the case of military disbursements, what are the authorities which the Military Disbursing Officer produces? I

suppose, first of all, the Treasury officer knows the assignment which the Disbursing Officer is allowed to draw for the month?—Yes.

1317. And that is sufficient authority for him?—Entirely.

1318. But now when the paymaster of a regiment draws for one of these weekly payments, does the Civil Officer who honours his cheque look to see that the cheque is not more than one-fourth of the total assignment for the month?—No, that is a matter which does not concern him.

1319. So long as it is within the monthly assignment?—So long as it is within the monthly assignment he would pay it.

1320. But on certain occasions when cheques for bills are presented does he examine those cheques to see whether they are in order?—No, only just as a banker would examine a cheque

1321. Not more?—Not more than that.

1322. Therefore, when it is said that the Civil Treasury Officer has to satisfy himself that the demands upon him are in accordance with the regulations, those regulations are very simple, and ought not to give rise to any delay or friction?—There is none whatever as regards the Treasury, the Treasury simply acts as a banker.

1323. (*Mr. Jackson.*) But it would not necessarily follow because a man draws four cheques in a month that they would be necessarily of equal amounts for each week?—No, they are not.

1324. (*Chairman.*) The Military Examiners are simply auditors, are they not?—Yes, except the Pay Examiner, as I have already explained

1325. And they are a staff entirely independent of the Disbursing Officers?—Quite

1326. It is by them that the War Office satisfies itself that the money placed at its disposal is actually disbursed in accordance with the regulations?—Yes.

1327. I think you have told us already that the Military Examiners are stationed at the headquarters of the command, and I think you told us that they were three or four in number?—Yes, three in each command.

1328. Could you give us any idea of what the military expenditure in any one command is—perfectly roughly?—I can give it you from the estimates.

1329. Yes, if you please; that is to say, the estimates that come in from any one Controller?—See for instance, the Budget estimate for the Bengal command.

1330. What page is that?—Page 8, at the beginning. Rupees 5,13,73,570. Budget estimate for the Bengal Command.

1331. That would roughly represent something like five millions, would it not—between four and five millions of our money?—Yes.

1332. And the examination of the accounts for the whole of the expenditure is conducted by three examiners with clerks under them?—Yes, three in each command.

1333. They always have a staff of clerks?—Yes; a large staff of clerks.

1334. Now are these examiners the people upon whom the Military Accountant-General or the Controllers in commands would depend in case of any irregularity arising or being suspected; are they the officers who might be sent down to examine the books and accounts on the spot?—Officers from the Military Account Department are deputed occasionally by the Controllers to visit certain regiments and Departments, and to examine their accounts, their cash and their store balances, making a test examination and inspection of those.

1335. Then you have a real system of test?—By travelling inspectors, yes.

1336. The travelling inspector is one of these Examining Officers whom you have described at headquarters?—Probably not the Examining Officer but one of the officers attached to the Controller, it is left to the Controller.

1337. An officer attached to the Examining Branch, you mean?—Yes, it is left to the Controller to depute any officer he pleases for these inspections.

1338. That being the case, one of these officers would be the person that the Controller would choose in case there were reason for thinking that there was anything irregular going on?—It rests entirely with the Controller.
1339. Under what regulations are the accounts of the Disbursing Officer sent to them; I mean by that, are they sent at stated periods to this examining staff at head-quarters?—Statements of payments, by the Commissariat Officers are sent every 10 days, but the complete accounts are sent as soon as possible, at the end of the month.
1340. Then from each station there comes up monthly, I suppose, the amount of money which each Disbursing Officer has drawn or ordered to be paid, supported by the vouchers of payment?—Yes.
1341. Those are examined, and the vouchers of payment include, among other things the authority by which the payment is made?—Where any separate authority is necessary.
1342. Where there is a standing authority, of course, that is on register?—Quite so. I may say that more than two-thirds of the military estimates are personnel charges which are pretty fixed from year to year; there is not much doubt about these charges.
1343. When the audit examiner comes to deal with the payments made by a Disbursing Officer to a regiment, does he satisfy himself of the correctness of the payments made in detail; for instance, does he receive a list of the soldiers with the signature against them that they have received such money, or how does he satisfy himself that the money has been properly spent?—He gets the general state of the accounts of the regiment which is supported by the company pay-lists and rolls, and he checks that in great detail.
1344. These rolls do not contain the signatures of the men, acknowledging that they have been paid. I suppose he is satisfied with the statement of the company paymaster?—I think the company officers see to that. I will not speak positively, but I think that those do not go to the examiner—not each soldier's individual receipt.
1345. That is the case here, Sir Ralph Knox, is it not? You do not take any signature from the soldiers actually paid, do you?
1346. (*Sir Ralph Knox.*) Yes; the soldier signs his account?—But does that go to you?
1347. No. That is what I mean. The company officer is responsible for that.
1348. (*Sir Donald Stewart.*) It is kept as a regimental record?—Yes; but it does not go to the examiner, I mean.
1349. (*Chairman.*) He accepts the company paymaster's statement?—The company abstract, yes.
- (*Sir Ralph Knox.*) But our Controller has asked for the actual signed accounts to be sent up to him, so that he tests them from time to time.
- 1350-1 (*Chairman.*) In India, is any similar test applied by the examiner; does he occasionally see these signed accounts?—Only by one of these inspecting officers, when he goes round to a regiment or Department.
1352. Now, if these examining officers find a payment insufficiently vouched or not sanctioned by proper authority, what course do they pursue?—They issue what is called an objection statement.
1353. To whom?—To the Disbursing Officer. Then the Disbursing Officer makes his reply to that, and then the examiner either admits his explanation or he finally disallows the charge. If he disallows it, then the Disbursing Officer is required to credit that amount in his next account.
1354. And the Examining Officer has to that extent the power of disallowance, has he?—Yes; certainly.
1355. Supposing the Disbursing Officer, objects to the disallowance and thinks that the authority for the payment is sufficient, what remedy has he?—He can appeal to the Controller; but he must first credit the disallowance. If a regimental paymaster does not get any

satisfaction from the Controller, he is then at liberty to appeal to the Commander-in-Chief.

1356. The Disbursing Officer is the officer of the Commander-in-Chief?—Yes, in this case.

1357. He does not appeal to the Accountant General?—No. He goes to the Commander-in-Chief, and then if the Commander-in-Chief is not satisfied with the Controller's decision, he might refer the case to the Government for decision.

1358. If the Commander-in-Chief receives such an objection, does he lay that before the Military Member of the Council, who, I think, you described, was more particularly in charge of the finance of the Military Department?—If he supported it, he would refer it to the Military Department of the Government of India.

1359. Through the Military Member of Council it would come before the Military Accountant-General?—The Military Accountant-General would probably be asked to advise on the case, and the final decision would rest with the Military Member of Council.

1360. Now supposing a case of a grave financial irregularity taking place, would it be quite certain that the notice of it would reach the Secretary of State?—It would reach the Military Department of the Government of India.

1361. But is there any provision—I am not speaking of a mere mistake in the interpretation of a regulation, or something of that kind, but a grave irregularity—is there any provision by which that could be brought to the notice of the Secretary of State?—The Controller of Military Accounts would be bound to bring it to the notice of the Government of India in the Military Department.

1362. And would the Government of India in the Military Department send it to the Secretary of State for information? Would the Secretary of State, as the supreme authority, be safe to know if a grave irregularity had taken place?—No; unless it was something very extreme it would not come home at all.

1363. There is no necessity for it to come home?—No; it would not come home at all unless it was something very serious indeed.

1364. Supposing the most improbable case of the Commander-in-Chief and the Government in India condoning an offence, it would be written off in the accounts, and there would be no security that the supreme authority, would know it. I am putting an extreme case in order to see whether under any circumstances of gravity the Secretary of State, as the supreme authority, would be certain to know of it?—Not unless it came beyond the limits of the powers of the Government of India.

1365. To condone?—To settle, yes. They have only limited powers in financial matters. When they want to exceed those powers they have to come to the Secretary of State, but an ordinary case of an irregularity in a Disbursing Officer's accounts would not come to the Secretary of State at all.

1366. No, quite so, not an ordinary case, but the case I was thinking of was a case of defalcation. Supposing a defalcation took place by a high officer? I have not the least doubt it would never take place, but supposing that it did and that the Government of India were to condone it, would there be any security that the Secretary of State would know the fact that there had been such an irregularity, and that the Government had condoned it?—No, I do not think there would.

1367. (*Sir Donald Stewart.*) Would it not necessarily be reported, if the character of an officer was involved?—Oh, certainly. I was speaking of something which is not beyond the powers of the Government of India to condone. If an officer committed so grave an irregularity as to necessitate his removal from the service, of course it would come to the Secretary of State.

1368. (*Chairman.*) I am confining myself to the purely financial question—the power of the Government of India in allowance and disallowance of irregularities is final, and there is no necessity in any case for their decision being reported home?—No, not unless

some action had to be taken with regard to the offending officer.

1369. (*Sur Ralph Knox.*) If he were acquitted as it were in the judgment of the Government of India, it would not come home?—No.

1370. (*Chairman.*) Would you say that the power of the Examining Officers to pass irregularities is large?—He has no power to pass anything which is not in accordance with the rules, and properly vouched.

1371. But you say, supposing he thinks the payment is not sufficiently vouched, or is not sufficiently authorised, he sends an objection paper, which the Disbursing Officer answers? Has he full power to accept that payment if he considers that it is in accordance with the regulations?—With the regulations, and properly vouched. Perhaps his objection to the statement refers to the want of some voucher; then the Disbursing Officer sends the voucher, and that removes the objection.

1372. But supposing it is a question of the interpretation of the authority—we will take a case in which the authority of the Finance Department ought to have been obtained, and it has not been obtained. In such a case, can the examiner pass the payment if he thinks the explanation given by the Disbursing Officer is sufficient?—Certainly not.

1373. He would be bound to report a doubtful case?—He would be bound to uphold his objection.

1374. And he would be bound to report a doubtful case to the Controller. He is not authorised to exercise a discretion in doubtful cases?—No.

1375. He would be bound to report it to his superior? Yes.

1376. When the examiner has examined the accounts of a district or station, and passed them, does he send those accounts as passed by him to the Controller?—Examiners send in to the Controller what is called a compilation statement of all these charges under the various grant heads and sub-grant heads, and the Controller consolidates that compilation into the general statement of receipts and charges which finally form the finance and revenue accounts of the year.

1377. And are these accounts rendered to the Controller monthly, for each month?—Monthly, yes.

1378. Does the Examining Officer accompany these with any statement of objections he has taken?—No.

1379. Therefore the Controller has no means of judging the manner in which the Examining Officer has exercised his judgment in doubtful cases?—Yes, he has occasionally a test audit of a portion of their accounts. He deposes someone to make a test audit of some portion of the accounts which each examiner has audited. The Comptroller-General also has the power at any time of going into the Controller's office and making a test audit of the accounts, and he does so periodically.

1380. The point that was in my mind was whether the highest account officer in the War Office has any means of judging, on the face of the accounts that are sent in, how the Examining Officer has performed his duty—that is to say, whether he has any opportunity of seeing the irregularities to which the examiner has called attention and the evidence upon which he had been satisfied that those irregularities ought to pass?—No, he does not see those objection statements unless they come to him on appeal.

1381. At the close of the year is there a military appropriation account drawn up for the use of the Comptroller-General in the Military Department?—Yes, a military appropriation account.

1382. That is drawn up by each Controller?—By each Controller.

1383. And consolidated?—Consolidated by the Accountant-General.

1384. Is his account accompanied by any remarks on irregularities? I presume not, because, if the monthly accounts did not report all irregularities there are no means of stating them, except such as may have come to the notice of the Controllers?—That is so.

1385. And would the Controllers report to the Military Accountant-General the irregularities which had been

reported to them?—If they were of a grave nature they would; but as I say, they do not see these objection statements unless they come on appeal.

1386. But I mean those which do reach them; would they report them?—No, not unless they had occasion to ask the orders of the Government of India, or in the event of any dispute between the Examiner and the Disbursing Officer, if the Disbursing Officer was not satisfied with his decision—otherwise it would not come to the Accountant-General.

1387. May I ask you if, judging from the experience you acquired as Military Accountant-General, you would not consider it an advantage if you had known of the cases of irregularities that had reached the Controllers, so that you might thereby form a judgment as to the manner in which your subordinate officers and representatives performed their duty?—You can form that judgment from the cases which come up on appeal; but it would be impossible for the Accountant-General to go through all these objection statements, which are hundreds in number.

1388. But would it not be an advantage if the Controllers accompanied their yearly account with a statement of the objections which had reached them, which the examiners had either doubts about or had not passed?—I think not. That is the Controller's duty.

1389. You hold that the Accountant-General holds the highest place. Therefore would it not be desirable that he should know what kind of objections had been taken and had not been satisfied in the first instance?—I think not.

1390. The civil examining officers do not go into the detail of the military accounts, do they? they accept, as a rule, the examination by the military examiners?—What civil officers are you referring to?

1391. The Civil Comptroller-General's officers who conduct the audit on the part of the Comptroller-General?—They accept the Controller's statements, subject to the test audit which the Comptroller-General can exercise at any time.

1392. There is no double or second audit on behalf of the Civil Auditor-General of the military accounts?—No, not beyond this test audit that I am referring to.

1393. Then in what form are the military accounts, so vouched by the proper Examining Officers, transmitted to the Civil Comptroller-General?—By the Controller.

1394. They send them to the Civil Comptroller-General?—Yes.

1395. And the Civil Comptroller-General, through his officers, sees that the military accounts in detail have been examined, and vouched, and tested by the signature of the proper Examining Officers?—They accept the Controller's signature, they do not go behind the Controller.

1396. But apart from that, it is a well-understood rule of Indian Finance that the Civil Comptroller-General is entitled to send auditors to make a test audit of any part he pleases of the military accounts?—Yes, certainly.

1397. At present do you think the regulations are such that the Military Accountant-General may, or is always in a position to, report at the earliest possible moment to his chiefs whether the military expenditure is running on all fours with the Budget—that no excess of expenditure is taking place?—Yes, he gets a preliminary statement on the 10th of the month of the actual issues of the previous month. Then later on, on the 20th, he gets that statement again in a little further detail. Then, on the 26th, he gets further detail, and in the meantime he has from the Civil Accountants-General their statement of issues to the Military Department, with which he can check the military statements with the receipts, so that there is no possibility of any excess of expenditure going on without his being aware of it.

1398. May I ask, with your experience of the military expenditure in India, whether you consider that the present system is a satisfactory and complete one, or are there any points upon which you think, in the interests of economy, an improvement might be effected, either in the way of simplification or in the way of modification of existing regulations?—I am not prepared at present to suggest any modifications or improvements.

1399. I am quite aware that I am asking you rather a large question, and perhaps it is hardly fair to ask for an off-hand reply?—It is rather a large question, if I may say so.

1400. (*Mr. Buchanan.*) The Military Accountant-General has no direct audit work to do?—No.

1401. These test audits that occasionally take place are by the authority of the Civil Comptroller-General?—And the Controller of Military Accounts.

1402. That is to say the Controller in each command?—Each command.

1403. He can have a test audit on any subject he pleases?—On any particular examiner's work. He can have a test audit of the Pay Examiner, or the Commissariat Examiner; he can have a sample test audit made of any portion of their accounts for any month to see if their audit is correct or satisfactory, and the Comptroller-General can do the same, and does so periodically.

1404. From year to year does the Civil Comptroller-General in India carry on a certain number of test audits of the military accounts?—I cannot say very positively, but he has the power, and I know that he does it periodically, but under what rules exactly he does it I cannot say. Mr. Jacob could tell you that.

1405. Then your position as Military Accountant-General was rather, as I think you said, that of an extra military secretary. You have no direct audit work?—No.

1406. Then there is one other question. You told us at the beginning of the examination about the method of preparing the regular military estimates from year to year, but supposing there was a proposal for a considerable change, either in the way of reduction or of increase in the military estimates, what process of consultation goes on between the military and the non-military authorities in the Governor-General's Council?—That comes up to the Military Department or originates in the Military Department, or from the Commander-in-Chief, and is then considered by the Military Department. If they are satisfied as to the necessity for this increase or alteration, then it goes over to the Financial Department. If it is a small matter, it goes over, what they call, unofficially. They see the papers and the notes on the case, and they give their concurrence or otherwise. If it is a larger matter, then it goes over officially to the Financial Department, and their decision is practically final, and thus comes up before the Governor-General in Council.

1407. But do you mean that the Finance Minister and the Finance Department would have practically a veto upon any large increase or decrease of the Military estimates of the year?—No; not any large increase or decrease. In minor matters the Military Member, of course, could appeal to the Governor-General in Council, but he would not do so in ordinary cases unless he thought it was of sufficient importance; but the appeal would rest to the Governor-General in Council.

1408. Then where there is going to be a large change of that sort, first of all, does the Commander-in-Chief and the Military Member of Council get the assent of the Financial Member to his proposals?—Yes.

1409. He does, as a rule?—Yes, and in most cases it has to come to the Secretary of State, and then the despatch making the proposal comes not in the Military Department, but in the Finance Department.

1410. There is no obligation upon the Government of India to get the consent of the Secretary of State before the Budget is introduced with this increased or diminished Military estimate?—No; not unless there are any changes beyond their powers. The powers of the Government of India are limited; they cannot create new offices beyond a certain amount; they cannot make any changes in the organisation of the Army without the sanction of the Secretary of State. Anything of importance, in fact, has to come to the Secretary of State before it can be carried out.

1411. (*Sir William Wedderburn.*) I think you mentioned in answer to the Chairman that there were certain matters that would not necessarily become known to the Secretary of State; but is there not a monthly abstract of proceedings in the Military Department prepared which goes home regularly to the Secretary of State, in which any resolutions of the

Government would appear?—Yes, and it is my business to examine that as it comes in and to submit anything which appears to require the attention of the Secretary of State, but it is not all *in extenso*, a great portion of it is merely in short abstracts, and from that you could not always tell what was being done.

1412. So that no matter of reasonable importance would fail to be detected through those?—Certainly not.

1413. (*Sir Ralph Know.*) I am not quite sure that I understood exactly the *locale* of the Pay Examiner and his connexion with the Controller of Military Accounts—or of the examiners, rather, of accounts. Are they only stationed at the same place where the Controller of Military Accounts is?—Yes.

1414. But they are not his officers?—Certainly

1415. They are his officers?—Yes, subordinate to him in every way.

1416. They are the subordinate staff of the Military Accountants?—Of the Controllers.

1417. Of the Controllers I mean?—Yes.

1418. And they only exist at a station where he exists?—Yes.

1419. And that is at the head-quarters of a command?—No, they do not audit at the head-quarters in all cases. For instance, there is one in Calcutta, which is not the head-quarters of the command.

1420. But would there be one at Bombay, and another at Madras?—There is one at Poona, there is one at Madras, and there is one at Rawal Pindi.

1421. There are only those four?—Only those four.

1422. Then these Examiners of Accounts only exist at those four stations?—Yes.

1423. And all the accounts from the Disbursing Officers are sent up to them to be audited?—Yes.

1424. Do these examiners do anything in the way of pre-audit?—Occasionally, when a Commissariat or a Regimental Officer has any doubt as to a particular charge or claim which is made, before paying it he sends it down to the examiner with the necessary vouchers for pre-audit, and the examiner then sends him a letter authorising him to charge it, but does not send him back the vouchers or the statement; he keeps them, but he sends him a letter authorising him to pay and charge that sum. In any difficult case that is generally done.

1425. The Disbursing Officers seem to follow very much the various services which have to be administered in connexion with the Army you have Commissariat disbursers, and Pay disbursers, and Pension disbursers, and so on?—Yes.

1426. And they all seem to disburse payments which are practically ordered or administered by themselves. That is so, is it not?—Except in the case of the commissariat, for instance; they pay Ordnance charges, with which they have no concern whatever. Merely as a matter of convenience, they pay the Ordnance Officers' charges for supplies of tents or other stores.

1427. But so far as the commissariat expenditure is concerned, they practically disburse under their own orders the expenditure which is thus incurred?—Yes, that is so.

1428. Therefore, they are in no respect, as it were, independent auditors of the expenditure; they examine it themselves, and send in an account of it?—Yes.

1429. As regards the Ordnance expenditure which they pay, they do not apply any audit to that, do they?—None whatever.

1430. They simply pay on the certificate of the Ordnance Officer?—Yes.

1431. In the case of the Regimental Disbursing Officer, his disbursements practically are, so far as he is concerned, issues to the company officers, I presume?—Yes.

1432. And the company officers send in their accounts of their expenditure to him?—Yes.

1433. Does he apply any audit to those accounts before he sends them in?—I think he examines them, but I cannot speak positively about that. He would

certainly check them to some extent, although the company officers are responsible for their pay lists, it would be his duty to point out any mistake.

1434. But would it be his duty to examine it, and see that it was all right before he sent it on?—To the above extent

1435. So that as the payments are made, there is no immediate local audit or check, except so far as the responsible officer feels his responsibility in making the order for the payment?—Yes.

1436. That is all?—That is all.

1437. There is no independent check?—No.

1438. (*Chairman*) You are speaking now of the payment of the regiments?

1439. (*Sir Ralph Knox.*) And of all of the disbursements—the commissariat, and the pensions, and other charges?

1440. (*Chairman*) But are you speaking now of payments to individuals—either pay or pension.

1441. (*Sir Ralph Knox.*) No, accounts as well. Is there any limit as to the amount which a Disbursing Officer may pay in the way of a bill?—The limit is his cash assignment.

1442. But he pays a bill however large the claim may be. He would pay a bill for 200*l* or 300*l*. to a contractor?—Certainly.

1443. A Commissariat disburser would in his case, and the Pay disburser in his, and so forth?—Certainly.

1444. There are no direct payments made from head-quarters?—No.

1445. When the Disbursing Officer makes payment on account of several services, as you described was the case—for instance the regimental paymaster, being the only local disburser, is sometimes the officer who sends in the estimates for all those services for that station?—He does not pay any services beyond those of his own regiment.

1446. I thought in some cases the officer in charge of a battery or a regiment made the payments on account of commissariat services?—No. If I gave you that impression it was wrong. He makes no payments except those connected with his own regiment or battery.

1447. There is always, then, a Commissariat disburser at every station where payments have to be made?—No, not necessarily. The payments might be made from another station, which would be a sub-station of the Commissariat Office. There would be no Commissariat Officer at that particular station.

1448. Who would actually make the payment?—The Commissariat Officer at the centre station.

1449. How would the claim be presented to him. The local tradesmen would send in the claim to him although at a distant station?—Yes, and he would pay it by cheque.

1450. And then this Chief Disbursing Officer, or the officer who is in charge of the station at which the payment was to be made, would send in the estimate for the sub-stations?—Certainly.

1451. The estimates themselves furnished by these local disbursers of course only represent the state of things as they are at the time they send in those estimates, based upon their current expenditure, upon prices, and upon numbers, and pay of establishments?—Yes.

1452. And, therefore, they form simply the basis for considering the estimate; they are not accepted, as practically forming the estimate; they have to be modified very considerably?—They might have to be modified by the Controller if any changes had taken place since these estimates were prepared, which the Disbursing Officer was not aware of.

1453. But as regards new expenditure of a considerable amount, such as re-armament, or anything of that kind, that would be considered at head-quarters?—Yes; no officer would be authorised to insert anything in his estimate which had not already been sanctioned.

1454. Therefore, at head-quarters, very often the estimates, consisting of compilations of those which are sent in, are considerably modified?—Yes.

1455. On grounds of general policy, or change?—Yes, reduced or increased.

1456. (*Chairman.*) In supplement to one of Sir Ralph Knox's questions about the revision and completion of the estimate at head-quarters, I wish to ask whether a very large amount of the supplies being only procured at head-quarters, there are not, therefore, in finally completing the estimate at head-quarters, very large additions to be made? For instance, I will take Ordnance stores, which I see come to about Rs. 4,000,000 or so in the course of a year. I suppose the larger part of those are got together at the head centres, are they not, either at the four commands or at Calcutta?—Those would be included in the estimates of the officers in charge of the arsenals, or the superintendents of the large factories.

1457. Exactly; they would come into the estimates from the command?—In the ordinary estimates, yes.

1458. I suppose practically the larger part of these stores are ordered at the central and big towns, are they not?—No, they are ordered wherever the factories may be. There are factories at Madras, there are factories at Poona, there are factories at Cossipore, and at Ishopore near Calcutta.

1459. But those are big towns, are they not?—No, not all of them.

1460. They are big centres of command?—No; Ishopore is some miles from Calcutta; Cossipore is a few miles from Calcutta. There is a factory at Futtyghur, which is far from any centre. There are various factories and arsenals dotted about the country, in the same way; they are mostly at large stations, but they are all over the country, and all these officers send in their estimates of what they want for the following year, which are based on established proportions.

1461. How does the Government in Calcutta get the estimate of expenditure in England; for instance the estimate of the services payable here?—That is all furnished from home.

1462. It is?—Yes.

1463. And furnished by a certain time, I suppose?—By a certain time.

1464. Does any criticism of that estimate take place by the Governor-General in Council?—I am not familiar with that. It is generally done in the Financial Department. There is a good deal of telegraphic communication at the last moment about those estimates.

1465. I am asking that question about the military part of the expenditure?—There are telegraphic communications as to any possible reductions or increases at the last moment.

1466. But of course the estimate is sent out from here, as it emanates from the Secretary of State; it is more or less a final estimate; the Governor-General in Council cannot over-rule it?—No, but it is very often altered on his representation.

1467. One other question. Going back again to the payment of pensions, I see the payments to native soldiers are very large indeed?—Very large.

1468-9. It is 72 lacs of rupees, is it not?—A little less than 72 lacs.

1470. At all events, it is a very large sum. Are you satisfied that the precautions of which you have spoken are such as to avoid, as far as possible, there being room for fraud there?—As I said, the system has been changed a good deal since I left India, so that I am not very familiar with the details of it; but I have no doubt they adopt all the necessary precautions to guard against fraudulent personation, and the statistics of military pensioners are reviewed every year to see whether the actual mortality agrees with the anticipated mortality according to life tables.

The witness withdrew.

2016. Is not the Bank of Bengal big enough to give adequate assistance at times to the Government?—Oh, at times undoubtedly the Bank of Bengal could give assistance if we wanted it, but it is not considered safe to rely upon getting assistance. You see in India there is not that great supply of loanable capital that there is in this country, in London; nor can you get loanable capital from outside very readily, and transactions are much more carried out there by cash than by credit, so that an increase of business or demand not very great in itself leads to a scarcity of cash. Therefore we cannot depend upon the market; we must keep a balance.

2017. And, therefore, in your view, you are driven to working by means of large balances sufficient to meet your wants?—I think so. I would not recommend any change in the system—I would not. Of course, I see the advantage of working with a small balance. It is a saving of interest.

2018. Here, where there is large loanable capital kept always at the disposal of the banks, we work on a system of small balances?—Oh, that is the difference.

2019. We systematically work on the principle that at the beginning of the quarter we are borrowers from the bank in order to meet the debt charge?—Yes.

2020. That, practically, does not apply to you in any way?—No, practically, we do not borrow.

2021. May I ask about what sum represents your standing balance?—Well, it varies very much.

2022. It varies with the time of the year, I suppose?—Yes.

2023. But take the minimum?—I do not know that I would like to see the balance at the worst time of the year go below about 8 crores—Rs. 8,000,000.

2024. You are counting that roughly as eight millions?—Yes, it might reach up to 15 or 16 crores, and when the Secretary of State did not draw his bills—trying to keep up a higher rate of exchange—money accumulated in the Indian treasuries, it went up to something very high. I do not think they have got the balance down to normal quite yet—12,000,000 or 13,000,000.

2025. Well in round figures. The expenditure in England and India is not very different. Are you up to 90,000,000 yet?—I daresay we are, owing to the inclusion of railway transactions—you must really examine the accounts, I daresay, to get the exact figures.

2026. Quite so. But here we consider a balance of about 6,000,000, a maximum, of course it varies?—You should of course recollect that the balance of India has to be distributed all over an enormous country, and is lodged in a large number of treasuries.

2027. Our 6,000,000, is in the Bank of England?—I do not think we could work with 6,000,000, I think we would collapse—I think we would collapse with only 6,000,000, but Mr. Jacob will be able to tell you correctly—give you the best information.

2028. But 8,000,000, is your minimum, I understand?—I think that is about as low as we could go.

2029. The district treasury is the key of financial procedure in India; it focuses the receipts and payments of the State, and from it alone can the financial member obtain information as to the progress of finance; are you satisfied with the arrangements under which you receive information from the district treasuries?—Well, after the mistake in the estimates in connection with the Afghan war, that matter was gone into very thoroughly and very carefully, and the present system, I think, was drawn up by Mr. Westland, now Sir James Westland, member of Council—and I think it was drawn up with great ability, and I never saw any way to making any improvement in it.

2030. Are you satisfied, as Minister of Finance, that, under the arrangements which were carried out (of which I understand you to say Sir James Westland was the adviser) the Finance Minister is quite certain to know early enough the progress of expenditure to avoid any recurrence of such a mistake?—Certainly. He cannot, of course, get the information so early as the Chancellor of the Exchequer could in this country, but he gets it as early as the circumstances of the case permit, and he gets it sufficient early for practical purposes.

2031. We understand that you learn the total of receipts and issues at the district treasuries and the balances in hand about the 9th of the month following

Mr. A. R. BECKER, Deputy Accountant-General, Public Works Department of the Government of India, called in and examined.

1471 (*Chairman*) I think you are at present engaged in the Public Works Department of the Government of India; would you say what your position is?—I am Deputy Accountant-General in the Public Works Department.

1472. That is to say you are the second officer in the Public Works Department?—Yes, in the Accounts

1473. In the Accounts Branch?—Yes.

1474 How long have you held that post?—On and off I have held it for about seven years now.

1475. Could you give us a sketch of the manner in which the Public Works Department is organised, the branches or chief sections into which it is divided?—There is what is called the Buildings and Roads Branch of the Department, the Irrigation Branch, and the State Railway Construction Branch, and the Open Line Branch.

1476. By Open Line, do you mean those which belong to companies?—Lines which are working.

1477. Are those all the sections or branches into which the Public Works Department is divided?—That is the whole of the executive

1478. Then besides that, there is the Accounts Branch?—Besides that, there is the Accounts Branch, which is concerned with the audit of the transactions of all these executive branches.

1479. Has the Public Works Department anything to do with the Guaranteed Railways?—Yes; it has to a certain extent. There is a consulting engineer, who is a member of the Public Works Department, attached to each guaranteed railway, and there is a Government examiner.

1480 That is to say, questions connected with or arising out of the relations between the Government and the Guaranteed Railway are dealt with by the Public Works Department?—Yes.

1481. In which branch of those that you have named would that business come?—In the Railway Branch.

1482. I have got here the Buildings and Roads, Irrigation, State Railways Open Line Branches, and the Accounts Branch; but you mentioned a Construction Branch?—I divided the Railway Branch into two, the State Railway Construction and the State Railway Open Lines.

1483. Then the Public Works Department is divided into four branches, and the Accounts Branch?—Yes; four branches and the Accounts Branch. The two railway branches may properly be considered as one. It would be better to deal with Railways, Irrigation, Buildings, and Roads as the main divisions.

1484-5. Is that so in the Budget?—That is as in the Budget.

1486. But I see this account is divided into Telegraph, Railways, Irrigation, Buildings and Roads?—The Telegraph Department is under the Public Works Department. The Public Works Department proper consists of the Buildings and Roads, Irrigation, and Railway Branches

1487-9. I see the total expenditure provided under these headings is somewhere about 32 crores?—This is Rs. 33,000,000 Those are "Rs."

1490. Now, taking the Accounts Branch, will you tell us what the strength of your establishment is in that branch?—I could not tell you straight off, I think, without looking up the papers.

1491. Have you a large number?—I think the sanctioned strength is 84 officers

1492. And you described it just now as an Audit Branch?—Yes.

1493 Is it not also the Finance Branch of the Department?—The Accountant-General and his deputies

and the assistants may be called the Finance Branch of it; but all the examiners who are attached to provinces or to lines of railway are purely auditing officers.

1494. But it is by the Accounts Branch in the Public Works Department, first of all, that the Budget is made up?—It is compiled in the Accounts Branch. The details for it—for works or railways that have to be constructed—are prepared by the Executive Branch of the Department. That branch says what works have to be carried out and what money spent on them within certain limits, which have already been fixed for them by the Finance Department.

1495. They, in fact, make the first draft of the estimate for their separate Departments; that comes to the Accounts Branch—it is revised and compiled there?—It is hardly revised—it is compiled.

1496. Then, I presume, from the Accounts Branch also issue the orders for payment and orders for the supply of funds, do they not?—Orders for the supply of funds issue from the Accounts Branch, but payments are made by the executive officers themselves within certain fixed limits. They have letters of credit as has, I think, already been explained.

1497. We will come to that in a moment. I would now ask you if you would describe to us the manner in which the estimate of the Public Works Department is framed. But first of all let me ask you this: The Public Works Department is an Imperial Department, is it not? The officers of the Department, wherever they are situated, are held to belong to the Central or Imperial Government, are they not?—No; they are provincial. In each province the Public Works Department is under the Provincial Government—the Executive Branch of it is

1498. It is under the Provincial Government?—Yes; under the Provincial Government. The Accounts Branch is under the Central Government.

1499. Quite so?—The Accounts Branch is the Imperial Branch.

1500. The Accounts Branch belongs to the Central Government?—It belongs to the Central Government.

1501. There is the Accountant-General and the Deputy Accountant-General. Who represents the Accountant-General in the different provinces?—There is an Examiner of Public Works Accounts in each province, and he has certain assistants, according to the size of the province and the amount of work which he has to deal with.

1502. And are these Examiners in the provinces finance officers, or are they purely audit officers?—They are finance advisers, but they are really audit officers. They advise on any point of finance which the Local Government wishes to get their advice upon, and they also advise the Local Government as to any irregularities that may happen, or anything of that sort. But their principal duty is that of auditing the expenditure on works.

1503. They have nothing to do with the supply of funds within the province?—They arrange that the Executive officers shall be supplied with funds.

1504. By the Provincial Government?—By the Provincial Civil Accountants-General. It is on their requisitions that the Civil Accountants-General give the orders to the Treasury officers to issue money to the Executive Branch.

1505. These Examiners are officers of the Imperial Government, are they not?—Yes.

1506. Because they belong to the Accounts Branch?—They belong to the Accounts Branch.

1507. And then the provision of funds is not a duty of the officers of the Provincial Government, but lies with the finance officers of the Public Works Department who are stationed in the province?—The funds are provided by the Provincial Government.

1508. Quite so, but from whom does the order come?—The order for the issue of funds emanates from the Examiner, who is an Imperial officer.

1509. Now, will you tell us, beginning with the estimate, which is the beginning of all finance, how the Budget estimate is prepared, and when?—The Budget estimate is prepared in the first instance for the different funds—provincial and local funds, and Imperial funds. The amount which can be found in any one year from provincial and local funds for expenditure on works, is settled by the Provincial Government; the amount of Imperial funds that can be found is settled by the Imperial Government, and is communicated to the Provincial Government.

1510. Then does the Imperial Government communicate to the Provincial Government before the time for the preparation of the estimates the amount of Imperial works which they propose to execute within the province?—Yes.

1511. And is that then included in an estimate for the province which is prepared by the Provincial Government?—Yes, in a separate estimate.

1512. But sent up from the province?—Sent up by the Provincial Government.

1513. Then when the Budget of each of the provinces is prepared it comes up to your Central Office?—They all come up to the Central Office.

1514. And are they revised and criticised by the Accountant-General and yourself?—By the Accountant-General, as well as by the other branches of the secretariat at head-quarters.

1515. The secretaries also consider them?—Yes.

1516. And by what time of the year are the Provincial Governments bound to send you the estimate?—They have to send their Budget estimates in on the 15th of January.

1517. To the Central Office?—Yes.

1518. And how long a time after that have you to consider it before you are obliged to submit it to the Governor-General in Council?—It has to be submitted about the 15th of February.

1519. You have only about a month at head-quarters to consider the estimate and to correspond about it?—Yes. But there has been a preliminary consideration before that. In October of every year the Local Government sends up what is called a schedule of demands, which is merely a forecast of what it is proposed to do and the money which is required to admit of the proposals being carried out. These proposals are considered, and the Government of India say: "Of the amount that you have asked for we can only give you so much; you must cut down your demands to this sum." Then the Budget estimate is prepared for the amount specified. But it is still subject to further revision.

1520. But, practically, the Imperial Government and the Provincial Government have come to a general agreement beforehand upon the extent to which funds can be found for works?—Yes; before the 15th of January.

1521. Now at the time that that consideration takes place, is there any general consideration in the Council and with the officers of the Public Works Department—first of all as to the general financial situation of India, and, secondly, as to the amount which, bearing in mind that general financial situation, can be afforded for public works?—The Financial Department tell the Public Works Department what money they are likely to be able to provide, and the Public Works Department frame their estimates accordingly.

1522. The Financial Department inform the Public Works Department that for their work, we will say in this particular year, Rs. 33,000,000 will be available?—Yes.

1523. And then the Public Works Department asportion that in the manner that they think will best meet the needs of the country?—Yes.

1524. Of course, in taking that into consideration, a great part of your expenditure is settled beforehand: by previous arrangements you have got works in hand which must either be suspended or which must be continued at a certain rate?—Yes; of course they are the first works that are considered.

1525. And, therefore, the amount of discretionary expenditure entrusted to the Public Works Department is comparatively small?—Quite so.

1526. I meant the amount out of this Rs. 33,000,000 upon which you can veer and haul?—Is comparatively small.

1527. I suppose that the way in which economy is effected for the year is, that you go on with the works already begun, but you stop works which are not begun?—We stop new works. We are obliged first of all to provide for works which are in progress; then for the essential repairs of works which are in existence; and then the question of new works is considered.

1528. Your Department has not only a large expenditure of what I may call voted moneys, but it has also a large expenditure of capital moneys; that is to say, of money provided by loan. How is the question decided whether work shall be paid for out of the annual revenue of the year or out of borrowed moneys?—No work can be paid for out of borrowed money without the sanction of the Secretary of State.

1529. That is the first thing?—That is the first thing.

1530. Therefore the Central Government of India must represent to the Secretary of State that it wants such-and-such works, and ask to be allowed to pay for them out of loan money?—They must ask to be allowed to pay for them out of loan money.

1531. But are there any rules which guide the Public Works Department and the Government of India in making these applications to the Secretary of State?—Yes, there are.

1532. Could you describe shortly what they are?—Works which are paid for out of loan money are technically called “productive” public works, and to admit of a work being classed as “productive” certain rules are laid down:—

“(a.) There must be good reason to believe that the revenue derived from it will, in the case of a railway, within five years, and in the case of an irrigation project within 10 years, after the probable date of its completion, repay the annual interest on the capital invested with all arrears of simple interest up to that date, and also the capitalised value of the land revenue and of leave allowances and pensions; but in preparing a project for sanction, no deduction is to be made from the total capital outlay on account of anticipated excess of revenue over simple interest.

“(b.) It must be susceptible of having clear capital and revenue accounts of it kept.

“(c.) Its classification as a productive public work must be authorised by the Secretary of State.”

Those are the principal.

1533. Then, practically, I suppose you may say that the only works executed out of borrowed monies are railways and irrigation works?—Railways and irrigation works

1534. Are there any other works?—No other works.

1535. And may we take it that the whole or the larger part of irrigation and railway works are executed out of borrowed monies, or are annual revenues brought in aid?—There are a good many irrigation works which are constructed from other monies.

1536. Out of annual revenue?—Out of annual revenue.

1537. Now, are these great works, conducted by the local officers, or are they conducted by officers belonging to the Central Department?—You mean to say the executive management of them?

1538. Yes, the Executive management; because you were saying just now that the officers of the Executive Department are local officers?—They are attached to certain provinces.

1539. I will take, as an instance, that great work, which we have all just been reading about in Madras—the Periyar. Would that work be executed by the chief engineer officer of the Public Works Department in Madras, or would it, being so great work as it is, be executed by a special officer deputed from headquarters?—No; by the chief engineer in Madras, with the aid of the local officers under him. But in the case of a railway there would be a different arrangement.

1540. Because the railroad would pass through several provinces?—Yes; and they would be more directly under the Central Government.

1541. And one engineer would, I suppose, probably be responsible?—There would be an engineer-in-chief, and a staff of officers under him, who would be appointed from head-quarters of the Central Government. It would not be a local work.

1542. Now, following what you were saying about productive works, I suppose this heading of "Buildings and roads" would be entirely provided out of voted moneys?—Yes, entirely. There is no loan money spent on that; it is only on irrigation and railways.

1543. I see one heading here—"Special defence works." Are those military works?—Those are military works.

1544. Why is that under the Public Works Department, and not under the Military Department?—Because the accounts of the military works are dealt with by the Public Works Department—by the Accountant-General of the Public Works Department. The accounts of expenditure on military works and special defences are sent to the Accountant-General of the Public Works Department, not to the Military Department. The Executive management remains with the Military Department, but the accounting is to the Public Works Department.

1545. But I see there is no provision made here for military works, except these special defence works, in the Budget, is there?—There is a separate estimate for military works which is distinct from the Public Works Department Estimates, but which is included in the figures for "Buildings and Roads" which are now before you.

1546. Which would be borne on the Military Estimates? Is it paid for out of the Military Budget or out of your Budget?—There is a special branch for the execution of military works which is distinct from the Military Department—and which is not provided for in the Military Estimates.

1547. Is that paid under the Military Estimate or is it paid under your estimates?—It is distinct from the Public Works Estimate, but is, for accounting purposes, treated as a portion of them, since it has nothing to do with the Military Estimates.

1548. Quite so. It is not paid by them; but the special defence works are paid for out of the Public Works Estimate?—No.

1549. (*Sir Donald Stewart*) Usually there is a crore of rupees spent annually on military works?—Yes. The accounts of this expenditure come to the Public Works Department. There is a special department for administering these works under the Military Department.

1550. (*Chairman*.) But why are these special defence works borne on the Public Work Estimate and not on the estimate of the Military Department?—Because the special defence works are more in the nature of expenditure of loan money—not voted money.

1551. (*Sir Donald Stewart*.) And I think there is a reason for it. They wished to keep that account separate from the other branches?—Yes; quite distinct from everything else.

1552. (*Chairman*.) But that expenditure, if you were reckoning what the military expenditure of India was, ought to be added to that military expenditure ought it not?—It is part of the military expenditure of India.

1553. Now, when your Budget is approved, what is the method in which the money which is provided is put at the disposal of the executive officers?—The Local Governments are informed that the Budget's have been sanctioned for particular sums, and they pass that on through their Public Works Secretariat to the Superintending Engineers and the Executive Engineers, who are the executive spending officers. The Superintending Engineer is told that for his Circle he has certain funds provided, and he tells the Executive Engineers who are in the Divisions in his Circle what moneys they can have.

1554. And in what form is the intimation given to the officers in charge of the Treasuries that the Public Works officers are entitled to draw to such and such an amount?—Every month the Executive Engineer of the Division makes out a statement showing what he wishes to spend in the following month. He sends that to his Examiner. The Examiner compiles from these one general statement.

1555. By his Examiner you mean one of your officers?—Yes; one of our officers. The Examiner compiles the statement from these, showing the amounts required to

be drawn on each Treasury, and sends that to the Civil Accountant-General who is a Finance Department Officer.

1556. He is the head Finance Officer, you may say, in the province?—In the province; and he advises the Treasury Officers of the amounts up to which they should cash the cheques of the Public Works Officers.

1557. Within the month?—Within the month.

1558. Then the officer of the Civil Treasury raises no question so long as the drafts upon him do not exceed the monthly assignments?—No; quite so.

1559. Supposing that either through bills not coming in in one month and falling due in the next, or from work being more quickly prosecuted than had been anticipated within any one month, your Department found a larger demand made upon it than had been anticipated, is any provision made in such a contingency for the enlargement in any given district of the monthly assignment?—Yes. A supplementary letter of credit can always be given at any period during the month.

1560. But I suppose the officer in charge of the Civil Treasury, in the absence of such a supplementary credit, would absolutely refuse to honour a cheque in excess of the monthly assignment?—Yes.

1561. Then the money having been so expended by the officers of the Public Works Department, the accounts are rendered to your Examiners, as I understand?—Their accounts are rendered to the Examiners.]

1562. You having a Chief Examiner in each province?—In each province.

1562a. How does that Examiner get seised of the accounts from the different spending stations within the province? Are the accounts, with vouchers, sent by the disbursing officer, whoever he may be, to the head-quarters where the Examining Officer is stationed, monthly, or at different intervals?—Yes, monthly.

1563. And the account comes up supported by vouchers?—Supported by vouchers.

1564. And your officer examines and sees that each account is duly vouched, and is supported by proper authority?—Yes, and is supported by proper authority; that is to say, he not only sees that the expenditure is duly vouched for, but that the expenditure is only on works which have received competent authority.

1565. Quite so; and are within that authority?—And within that authority.

1566. Now, supposing the Examining Officer sees reason to object to any item in the account, what course does he pursue?—He disallows the charge, or else he passes it provisionally, subject to reference to a higher authority, which, in the case of an Executive Officer, would be in the first place, the Superintending Engineer.

1567. He would send it to the Superintending Engineer, and he would say he objected on such and such grounds to that charge?—He would ask the Executive Engineer, first of all, to explain why he had incurred this expenditure irregularly. That explanation would go the Superintending Engineer. If the Superintending Engineer had sufficient authority to sanction it he would do so, or would ask for further information. If it was beyond his power it would go to the Local Government; if it was beyond the power of the Local Government it would go to the Government of India.

1568. Quite so; and therefore there would be a series of appeals to higher powers. But would it be in the power of the Examining Officer of the Province to object to the sanction given, we will say, by the Government of the Province; or in that case would it be necessary for the Examining Officer to refer to head-quarters, to the Accountant-General?—If he saw any reason to object to the decision of the Provincial Government—the Local Government—he would then refer to the Accountant-General with the Government of India.

1569. Exactly, but it would be in his power, if he were satisfied with the sanction of the Provincial Government, to pass the item?—Yes.

1570. Would you know what objections your Examiner has taken in the course of his examination, so far as those are concerned which he has subsequently passed on explanation? Would he report to you that he had taken such and such objections?—He would only report to us items of principal importance. He has to send to the Accountant-General either every month, or quarterly, at the option of the Provincial Government.

a statement of the important items regarding which there is any irregularity.

1571 That is provided for?—That is provided for.

1572 Therefore there is a provision made under the regulations that the chief financial officer of the Public Works Department should know any apparent irregularities of importance which have taken place?—Yes.

1573. Even though they may have been explained?—Even though they may have been explained.

1574. And so the Accountant-General has a means of watching how his Examiners perform their duty?—Quite so.

1575. How they act, in fact, in difficult cases?—He has that opportunity.

1576. That is an important power which the Accountant-General reserves to himself, is it not?—Yes, it is.

1577. It is rather difficult to say that a system is perfect unless the chiefs of it have some means of that kind of seeing how their officers perform their duty?—He has that power of seeing.

1578. And you would attach importance to it?—Yes; a good deal of importance to it.

1579 Now do you find at the end of a year that there have been many questions of financial importance raised between your Financial Officers and your Disbursing Officers?—No; generally speaking the questions raised are mere questions of rule—very often only the interpretation of a rule, or something of that sort. There are a great many questions of that sort which arise.

1580. But supposing—which is always a possible thing—some gross irregularity happened, would you be certain to know of it?—That would be specially reported at once.

1581. It would?—Yes. If there was anything of a grave nature it would be specially reported. They would not wait for the ordinary periodical report, but would send that in—that would be reported at once on coming to notice.

1582. Therefore you have every security that any point of importance in the financial administration would come to your knowledge?—Yes, I think so.

1583. When are these examinations completed? Are the accounts and vouchers sent monthly to the Accountant-General?—The accounts are sent every month.

1584. And in what form does the Examiner pass the accounts?—When he has passed them, does he report them to the Central Office or does he report them to the Local Government?—No; he tells each officer who submits an account to him that he has passed his accounts for such and such a sum of money, so as to give him a clearance for the month.

1585. Yes; but in what form does the statement that he has completed such and such an audit and passed such and such an account reach the Central Office?—The Examiner compiles one general account from the audited accounts, and this he submits to the Accountant-General.

1586. And does he accompany that with any report which would specify those doubtful questions which have arisen during the examination?—That would come in separately.

1587 But still the report would come in?—It would still come in periodically.

1588 Is any provision made in your code of regulations for such a report, for the report of an objectionable expenditure?—Yes, there is. There is what is called a divisional statement of objectionable items, and that is what the Examiner deals with in the first instance.

1589. What Article is that in your Code?—It is chapter 3, volume 2, from paragraph 98 onwards.

1590. Can you tell us very briefly what is the gist of it? We only want to know what I may call the enacting part, which says that such and such information is to be given?—It says the irregularities to be noticed are—

“(a.) Expenditure incurred without adequate authority or in excess of sanction.

“(b.) Expenditure incurred without Budget appropriation or in excess thereof, but objections on this score need not be raised before the accounts for the month of July if estimates have been duly sanctioned for the works on which the outlay is incurred.

“(c) Miscellaneous irregularities, such as unauthorised advances, losses of cash or stock, not covered by adequate sanction, irregular charges,” &c.

Those are the principal items which are included in those objectionable items.

1591. And therefore you have the security that under that Article in the Code any important questions that have arisen will be brought to your notice?—Yes; quite so.

1592. Even if they might have been satisfactorily answered eventually?—That would depend on circumstances.

1593. That would be matter of discretion with the Examining Officer?—Yes. If they were satisfactorily settled by the Local Government it would not go beyond them, if it were in their power to settle it; but if there was any doubt about it it would come on to us.

1594. All your financial administration is regulated by code, is it not?—Yes.

1595. You mentioned two volumes just now; is that a very voluminous code?—There are four volumes. But they are not entirely on accounts matters. There are a good many other matters which are dealt with. Volume I principally deals with other matters—such as the *personnel* and the distribution of the Department.

1596. You have had a long opportunity of watching the working of the Code; are you satisfied that its apparently minute form, is essential?—I do not think there is much that is really superfluous in it, and I think it works smoothly. I think the officers understand it.

1597. Quite so. If both sides to the transaction are satisfied there is nothing to be said?—I think we are both fairly well satisfied.

1598. Well, in addition to this examination in ordinary course by your officers of the accounts monthly, have you any test audit?—Yes. The Examiner goes on *tours of inspection* every year. The object is to inspect, in the divisional offices, certain documents which never come to him at all.

1599. Does he then pass and accept certain expenditure without seeing vouchers?—Yes, there is such expenditure as daily labour payments, for which no vouchers are submitted to the Examiner. He has to accept the statement of the executive disbursing officer that certain moneys have been spent in such a way. But then he tests this once a year, or sometimes oftener, by going to the office and actually scrutinising the documents on which payments have been made.

1600. Is that test merely confined to that point?—Oh, no; it is a general test. He takes up perhaps the accounts of one month in a year at haphazard—any one month—and he thoroughly tests this.

1601. And sees whether the books agree with the accounts that have been forwarded to him?—That the accounts that have been forwarded to him have been correctly compiled from the documents in the office, and that there are no discrepancies between the two.

1602. After that examination is complete, and after you have received the accounts from the different provinces, do you compile at the close of the year a general account of the expenditure of the Public Works Department?—We compile a monthly account and send it to the Comptroller-General.

1603. And do you make also a yearly account at the close of the year?—Each province sends us in a yearly account, and then we compile these provincial accounts into a portion of the accounts which are prepared really in the Financial Department. We prepare the public works portion of those accounts—what they call the Finance and Revenue Accounts, which we generally call the Yellow Book. Besides this the Accountant-General, Public Works Department, publishes annually a note on the accounts of each branch of the Department, in which he reviews the progress of outlay, and mentions the special irregularities which have still to be remedied.

1604. Do you ever communicate with the Finance Department upon the manner in which the finance of the Public Works Department has been conducted; that is to say, merely with a view of letting the Finance Department know whether there have been any important irregularities?—If a matter of grave importance came up to the Government of India, it would be referred to the Finance Department before the case was settled.

1605. Perhaps I may explain the object of my question. In the Home System, take any branch of the expenditure, the Comptroller and Auditor-General here reports to Parliament, that the expenditure of that office on his examination has been duly vouched. I must make an exception in the case of the Military Department, in which he accepts to a great extent the audit of the Military Examining Officers. Also in his report he calls attention to any departure from regulation which has been condoned, to any irregularity which has not been satisfactorily explained, even though it may be an irregularity of a nature that ought to be, and is condoned. By that means Parliament learns what exceptions there have been to orderly finance during the year. It does not seem that there is any information of that kind to the highest authority in India, any guarantee or assurance of exceptions to orderly finance being brought to notice. It seemed to me, from what you have been saying, that in one point the Public Works Department comes nearer to it than the other Departments, namely, that if any question arose within that Department of at all an important character, the Accountant-General of the Works Department is informed of it?—Yes; he is.

1606. But that information is not published? You do not communicate those questions, for instance, to the Comptroller-General in the Finance Department?—No; we do not communicate with the Comptroller-General; we do communicate in certain instances with the Finance Department, but not as represented by the Comptroller-General. We work with the secretariat branch of the Finance Department. The Honourable Member in charge of the Finance Department would see cases of that sort generally unofficially, and on his note on the case would usually rest the final decision on the matter; whether it was condoned or not.

1607. I do not quite understand whether, at the end of the year, there is a general appropriation account drawn up in the Central Public Works Department, or is it a provincial account?—There is a provincial account, which is submitted to the Accountant-General from each province.

1608. And compiled into one?—Compiled into one by us. But it forms a portion of the general account which is published by the Finance Department. We do not publish it as a separate book. We do, however, publish a review on the transactions of each branch of the Department separately.

1609. It forms part of the general account of the Finance Department?—It is the Public Works Chapters, as it were, of the general accounts of India.

1610. And it forms part of the general appropriation account which is published in the "Gazette"?—Yes. The figures that refer to public works are all supplied by the Public Works Accountant-General.

1611. (*Mr. Buchanan.*) The statement that you alluded to in which any irregularities during the course of the year in the administration of the Public Works Department are noticed, that is not submitted to the Government of India, or made a public document in any way, is it?—Not necessarily. If the sanction of the Government of India is necessary before the objection can be removed or confirmed, then a reference is made to the Government of India.

1612. (*Chairman.*) But such a reference is only made when the sanction of the Government of India is required?—Only when their sanction is required. It is distinctly laid down in the rules and regulations in what cases a reference to the Government of India is necessary, and in what cases the Local Governments have powers to finally dispose of questions.

1613. Now, when your own examination of the accounts is completed, are they communicated in that form to the Comptroller-General? Because, as I understand, the Comptroller-General does not exercise by himself, and by his officers a second audit of these accounts; but he accepts the examination of your officers?—Yes.

1614. That is to say he is satisfied, when he has seen that upon examination of the vouchers for payment your officer has passed it, that that charge is correct?—Vouchers for payment do not go to him.

1615. Then he receives the compiled account, I suppose?—He receives a compiled account which is signed by the Accountant-General.

1616. That is what I mean. He receives an account which is signed by the Accountant-General?—Which is vouched for by the signature of the compiling officer.

1617. And he accepts that as evidence?—He accepts that as a true statement of audited expenditure.

1618. And beyond that, except so far as he institutes his test audit from time to time, he makes no further examination?—No further audit of Public Works Expenditure. The Accountant-General is supposed to be responsible for that, and he exercises a test audit over his own officers in addition to that of the Comptroller-General.

1619. But the Comptroller and Auditor-General does institute a test?—He has a test audit; but then the Accountant-General has another test audit of his own independently of that, and the two are generally fitted in so that, perhaps every year and a half or two years, every account officer is subjected to a test audit.

1620. I suppose the Works Department deals with a large quantity of stores?—Yes.

1621. How are they obtained? Are they obtained by contract at head-quarters?—In the Buildings and Roads and Irrigation Branches the amount of stores used is comparatively small, but in the case of important works stores are obtained from England by the Secretary of State; in railways, of course it is very large, and in railways the stores are principally obtained by indent on England through the Secretary of State.

1622. Then who examines the stores accounts?—The store accounts are submitted at the same time as the cash accounts to the Examiner. The Examiner audits the store accounts just as carefully as the cash accounts.

1623. But how is that examination of the store accounts made? Is it conducted at any time by an actual survey of the stores, so as to assure the Accountant-General that the stores for which credit is taken are actually there?—There is a half-yearly, or at all events a yearly survey of the stores in every division, and a balance return is prepared.

1624. At uncertain times?—No; regularly, at certain periods.

1625. At fixed dates?—Yes; September and March.

1626. And does the Accountant-General make any provision for such an examination of that survey as will assure him that the articles actually in the store, correspond with the amount taken credit for in the store accounts?—He does not actually make any inspection of the stores themselves; but he sees through his examiners that the accounts that are prepared are duly vouched for as having been counted by certain responsible officers of the executive branch. These officers have to certify that the stores in stock have actually been verified. The examiners are required to certify each year that the audit of all balances has been carried out under certain definite rules.

1627. Quite so; I quite understand he does not do it himself, but he does take such precautions as would enable him to see that, supposing on the 31st December the survey shows such and such a number of articles in the store, that number of articles in the store corresponded with the amount that should be in the store as shown in the accounts which had been submitted to him?—Yes, he would see that.

1628. And he does see that?—He sees that, but he does not see, of course, that the stores are actually there.

1629. No; but he sees the result of the survey?—He sees that the result of the survey corresponds with the result of the accounts which have been compiled.

1630. I should like to ask you on the whole, whether on your experience you are satisfied that the regulations under which the Public Works Department conducts its finance are satisfactory, or whether, on any point you think that they are open to amendment?—That is rather a wide question. I think that I may safely say, that I consider that they are generally satisfactory.

1631. I put the question in rather a wide form; but perhaps I had better put it in this way:—You have had a long experience; have you found the regulations within your experience intelligible and working easily; and do you think, that on the whole they satisfy the requirements that are necessary for orderly finance?—I think they do.

1632. (*Mr. Buchanan.*) With regard to that last question, do you think that they tend towards economical administration of the Department?—Yes; I

think they do. I think, perhaps, there was at one time a tendency to over-elaboration of details; but of late years we have got rid of that to some extent, and as the regulations now stand they show, with as little labour as is really possible, clearly what the state of things is.

1633. There is only one other question I want to ask you. I did not quite understand something you said at the beginning of your evidence. Is the case that the Government of India intimate to you, and you intimate to the Local Governments—the Provincial Governments—the amount of money that they will be able to spend for public works during the year, beginning the next following March?—No.

1634. I do not quite understand—you said there was a sort of provisional estimate made?—I said that in October in each year the Local Government made out a statement of what they thought they could spend satisfactorily and economically during the next official year; that was sent up to the Government of India and scrutinized by them; and taking all these together from all the Local Governments and the intimation that was received from the Finance Department of what amount of money was likely to be available, the Government of India then told the Local Government that certain funds would probably be placed at their disposal for the official year.

1635. And they intimate that as early as October?—It is received in October, but it is not intimated till November or December.

1636. Is there ever any variation made in that amount before the Budget comes out, owing to any financial necessity; is it ever cut down?—Oh, yes, frequently.

1637. Frequently?—Yes. The variation is not very large frequently. But there is always a closer scrutiny of details when the Budget comes up, and of course if any financial difficulty has arisen in the meantime there may be a very considerable alteration. For instance, in some years it has been necessary, after the Finance Department have scrutinized their figures more closely, to say that all the money we can find for the year is the money that you want for works in progress and repairs, and we shall be unable to undertake any new works.

1638. And does that occur? You said “frequently,” just now?—I said frequently there may be small alterations.

1639. And large alterations?—Not frequently; but they have occurred.

1640. In your experience on several occasions?—Well, on two or three occasions. I was principally thinking of the year 1893-4.

1641. That was because of the import cotton duties? At that time.

1642. (*Mr. Nadorji.*) Can you give me some idea of the amount of pay and allowance made to Europeans in your Public Works Department?—I am afraid I could not do so off hand.

1643. You could give it, I suppose?—It could be compiled.

1644. And you know also that the rule of the Secretary of State is that if an Indian is employed instead of a European, he should be paid not exceeding two-thirds of the salary, perhaps you know that?—Yes.

1645. And supposing an arrangement were made to employ Indians in place of Europeans, there would be, in the first instance, a saving of 33½ per cent.; is it not?—One third.

1646. Or in other words there would be a capacity to employ one-half or more as much service as is employed at present; and would it not have another effect also, that all that is paid to the Indian will remain completely in the country, and will keep up and preserve the fund from which Government can draw its own wants as necessary?—Well, I should rather doubt that.

1647. It is a simple economic question. There is nothing to doubt?—Natives of India at present spend a good deal of money in England just as the Europeans do.

1648. I am talking of the Indians—that whatever is paid to them is kept in the country and remains in the country; it returns to the people themselves. That is only a simple fact that does not require any doubt or

argument. As the present inquiry, Mr. Chairman, is specially for account and audit as a compartment by itself, I do not think I would go any further into this matter of the apportionment.

1649 (*Sir Ralph Knox*.) You said just now that the estimates were reduced at head-quarters when the Budget was sent in, but no reduction would be made in the works submitted from the Provincial Governments, provided they could cover them by their provincial revenue under the arrangements with regard to provincial revenue?—I was talking more especially with regard to what we call Imperial funds. The Provincial Governments practically settle the amount that is available for their own provincial wants.

1650. And those are not criticised by the Central Government if they are covered by the funds which the Provincial Governments find to be available?—They are criticised, but not as great detail as works carried out from Imperial funds; the responsibility for the provision of funds rests principally with the Provincial Government.

1651. You said that the objections that were principally raised by you were as regards interpretations of regulations or rules?—Not by us. I meant to say that those raised by Examiners very often were of this nature.

1652. But they did not detect any very great irregularities. It was found that there were none?—The grave irregularities were not very numerous.

1653. But it may be asserted, I suppose, that the effect of the examination generally has a distinct check upon the possibility of such irregularities?—Yes, quite so.

1654. That the moral effect of the audit although it finds few flaws, is that there are no flaws?—Yes.

1655. And that is the object of that audit?—That is the object of that audit.

1656. And it may best serve its purpose when it has a clean sheet?—Quite so.

1657. What is the check that is exercised as to the consumption of stores in construction?—That check would be entirely an executive matter. A work is sanctioned for a certain amount of money. It is not always sanctioned for stores and labour separately, though in some cases this is done. As a rule a sum covering stores and labour is sanctioned, and it is left with the executive authorities to procure what amount of stores they find necessary for the construction of the work, and the Superintending Engineer is the authority who would supervise that.

1658. But that is not subject, in fact, to any examination?—Not to an audit.

1659. It is left to the Executive Engineer to sanction—to write off—all stores?—Well, not to write off.

1660. Well, to write off for consumption?—Yes, for consumption.

1661. And is that systematically carried out? Is there any regular period for the officer to attach his signature to the consumption of so much stores? Does he watch that by any system?—Yes. Every month he has to submit a regular store account showing what stores he has drawn out of his general stock and the works on which he has utilised them, and the balance that remains in his hands.

1662. But that is not subject to audit?—It is subject to audit. The Examiner is not called upon to say that so many thousand bricks were required for the construction of a certain amount of brickwork, but he is called upon to see that the brickwork is only charged with bricks which the executive authorities state to have been used on that work, and that any balance that remains over is duly accounted for.

1663. Then the control—the chief control—is practically the original estimate of the cost of the work?—Yes.

1664. Which is made up in accordance with well recognised rules in the Executive Department?—Yes.

1665. Is it found generally, that the results of the expenditure upon any particular work, closely agree with the original estimates?—Very generally. Of course, there are cases in which the estimates have to be revised. Unforeseen circumstances arise during the construction—either foundations have to be carried down lower than was anticipated or there may be some accident during the construction of a work—

which upsets the original estimate and necessitates its revision; but, generally speaking, I think the estimates fairly represent the cost of the work.

1666. These cases of divergence from original estimates are always subject to financial control?—Yes, they are subject to financial control. They require just the same sanction as the original estimates.

1667. (*Sir Donald Stewart.*) Are not the powers of the Provincial Governments with regard to works limited?—Yes.

1668. The amount that they may spend?—Yes, there are regular limits laid down.

(*Sir Ralph Know.*) Dependent upon the revenue, is it not?

(*Sir Donald Stewart.*) No.

1669. (*Mr. A. B. Becher.*) No; I mean to say the Local Government cannot sanction a work over a certain amount?—Each individual work must not cost more than a certain amount. If a work paid for, from Provincial funds were to cost more than 10 lacs of rupees, it would be out of its own power to sanction it. As regards works constructed from Imperial funds the limits are placed at a much lower figure.

1670. (*Sir Ralph Know.*) But if these had in their local revenues sufficient to meet that?—That would not be sufficient.

1671. That would not be sufficient?—No; in the case of very large works or in the case of certain irrigation works or railways the sanction of a higher authority than the Provincial Government is required.

1672. (*Sir James Peila.*) There are similar restrictions on the Government of India?—There are similar restrictions on the Government of India.

1673. That is to say, they cannot undertake a certain class of works without the sanction of the Secretary of State?—Quite so.

1674. (*Chairman.*) I should like to ask you one or two questions about the estimate for military works which I think you said was under the Public Works Department?—The accounts come to us.

1675. Who execute those works?—They are executed by the officers of the Military Works Department, who are Royal Engineers, principally.

1676. Why should the accounts of these works come to the Public Works Department rather than to the Military Department?—I think the reason is chiefly this. That originally, these works were carried out by the Public Works Department, before the Military Works Department was established as a separate Department.

1677. When was that—some time ago?—Some little time ago.

1678. (*Sir Donald Stewart.*) Twelve or thirteen years ago?—Twelve or thirteen years ago. I could get you the exact date.

1679. (*Chairman.*) Then the old custom was still retained, in so far as the accounting for this expenditure was retained in the hands of the Accountant-General of the Public Works Department?—Yes; because the system of accounts is the same as the Public Works Account system; and it was thought better to allow the Accountant-General of the Public Works Department and his officers, who are familiar with that system, to continue the duty rather than transfer it to the Accountant-General of the Military Department, whose system was entirely different.

1680. Could you show me under what head of the Military Budget? Do you happen to know where that charge would come?—What charge, Sir?

1681. The charge for the Military Works?—The Military Works?

1682. It would be in the Military Budget, would it not?—It is not provided for in the Military Budget.

1683. (*Sir Donald Stewart.*) Is there not a crore set aside every year for Military Works?—Yes, there is a crore every year.

1684. It is not in the Public Works Estimate?—It does not come into the Military Estimates, but is included in the Public Works Estimates.

1685. (*Chairman.*) It does not come into the Military Estimate?—No.

1686. In the Appropriation Account where would you find it?—You will find it in the Public Works Estimates.

1687. Perhaps you could just show it to me, could you?—In the Appropriation Report. That is where the Military Works Expenditure appears (*showing place to the Chairman*). It is shown under the general head "Buildings and Roads." It is under a distinct account Head, 44 Military Works.

1688. Where?—I think there is a list on this side here, 44, "Military Works." That shows the distribution. It is about a crore of rupees.

1689. About eleven million rupees?—Yes, it would be in that year.

1690. And that is quite outside the Military Estimates?—Yes, quite outside the Military Estimates.

1691. But it occurs here in this volume that I have been looking at, under "Buildings and Roads"?—Yes, it is included under "Buildings and Roads" here.

1692. Who makes the estimate for that?—The Director General for Military Works.

1693. And he merely forwards it to the Public Works Department to include in their estimate?—Yes.

1694. (*Sir Donald Stewart*.) Who is in communication with the Commander-in-Chief and his staff in regard to military requirements?—The Director-General is in communication with the Commander-in-Chief in regard to military requirements?

1695. (*Chairman*.) The office of Public Works have nothing to do except to put in the amount?—They do not frame the Estimates. The Estimates are framed entirely in the Military Department under the orders of the Military Department, and the Honourable Member in charge of the Military Department is the final authority within the limits which have been assigned by the Finance Department. The expenditure is accounted for in the Public Works Department.

1696. Because this amount of work is carried out by military officers?—By military officers in the Military Works Department.

1697. Is not that rather a defective arrangement in itself? Over here there is always a very strong objection felt by the officers of one Department, if they are charged with expenditure which they do not carry out, and for which they are not responsible?—Well, it is hardly charging the Public Works Department with the expenditure. It was expenditure which was formerly carried out by the Public Works Department.

1698. Yes, I know, but at the present moment your Department is not responsible for these works. They are executed by officers who are not under your Department, and yet you are called upon to pay for them; would it not appear to an ordinary observer that that amount should be drawn from the account for military expenditure?—The works would have to be carried out by the Public Works Department if there was not a separate Department to carry them out; they would come out of the ordinary account.

1699. That would appear to be a natural arrangement. But as I understand, they are executed by officers of the Military Department?—There is a separate branch of the Military Department. It is a Military Works Department. They are Military Officers.

1700-1. But still that is part of the Military Establishment?—Yes.

1701. And part of your establishment?—And part of our establishment.

1702. These officers are not under you?—It is part of the Royal Engineers establishment which has to be kept in India.

1703. They are not under you?—They are not under the Public Works Department.

1704. Nor under your orders?—No.

1705. Do you think that in the ordinary course there is any good reason for your Department being charged with the cost of works which you do not carry out, and for which you are not responsible?—Would it not be more correct that the costs of these works should be placed in the Military Estimates?—Yes; I think so.

1706. (*Sir Donald Stewart*.) Do you know the reason why the Military Works Department was formed at all, about 15 years ago?—I am afraid I could not answer that question satisfactorily.

1706. (*Sir Ralph Know.*) There was a difficulty of *personnel*, was there not?—There was, I believe, some difficulty of *personnel*.

1707. As regards blending the Military Officers with the Civil Officers of the Public Works Department?—That no doubt had a something to do with it.

1708. (*Chairman.*) Then who audits that expenditure?—Our auditor audits it.

1709. (*Mr. Buchanan.*) And do you audit that expenditure for the Public Works Department?—Yes, exactly in the same way as if it was Public Works expenditure. There is an officer the Public Works Accounts Branch who is called the Examiner of Military Works Accounts, and he holds the same position there that a Provincial Examiner would hold.

1710. And he audits the Military Works for the whole of India?—For the whole of India. In each province there are, however, certain petty military works which are carried out by the Public Works Establishments. It is only lately that the Military Works Department has been extended to Madras and Bombay. Formerly the Public Works Department carried out the whole of the Military Works in Madras and Bombay.

1711. These are merely minor works, such as Military Stores, &c.?—They are principally barracks, and repairs to barracks, and works of that nature.

1712. (*Chairman.*) Is there any other remark you would like to offer to us?—No, I do not think so.

The witness withdrew.

I should like to see more weight attached to financial considerations in connexion with Indian affairs, and I should support any change that would have that effect, unless it gave rise to evils of equivalent magnitude

2189 Do you think it is an increasing difficulty or a diminishing?—It is not diminishing.

2190. (*Chairman.*) When you were speaking of strengthening the information of the Secretary of State, you hesitated, as I understood, to make any recommendations as to the Council, but you wish to see some Indian experience brought into the Finance Department of the India Office?—I have had a great deal to do with Sir Henry Waterfield, and my relations with him have been entirely satisfactory. I do not think you can improve upon his knowledge of the subject.

2191 I quite accept that view with regard to Sir Henry Waterfield, it is one which we should all share, but I am speaking generally do you think that the department wants or should have some actual Indian experience?—I think it would be desirable, certainly

2192 (*Sir William Wedderburn*) I think you mentioned that as Financial Member of Council you recorded a dissent in the matter of the Mauritius and Zanzibar cable?—I think it was mentioned in the despatch that I did not agree to the proposal to pay that subsidy from Indian revenues, because I thought it was not a proper object for Indian expenditure according to the custom that regulates Indian expenditure. I am still of that opinion

2193 On the ground that it was not equitable that India should pay?—Yes, I think India ought not to pay for a matter that ought to be left to the Home Government

2194 But when the Secretary of State decided that India must pay there was nothing to be said against it?—The majority of the Council in India were favourable to India paying

2195 Are these cases of the doubt whether India should fairly be made to pay the subject of correspondence between the Secretary of State and the Governor-General in Council?—Oh, yes, they would be

2196 But, if you thought that the expenditure was either illegal or inequitable, the Government of India would have the opportunity of putting in a protest?—I suppose they generally would, the Secretary of State might decide here without referring to them that India should bear a certain charge, but they could afterwards protest against it if they liked. Certainly they could address the Secretary of State on any question relating to Indian affairs

2197 Because, of course, India has ultimately to find the money?—Oh, yes The Government of India can take up any of those questions and express their opinion upon them

2198 There were one or two other items I think this Zanzibar and Mauritius cable stands at 18,300*l.* Is not that the cost of it?—To India?

2199 Yes?—It was a yearly subsidy. I do not know what it actually worked out at

2200 (*Mr Carne*) I think it was Rx. 30,000? That would be pretty near it, would it not?—That would be about 17,000*l.*

2201 That is my impression, I am not quite sure?—It was something like that, I think.

2202 (*Sir William Wedderburn*) I should like to ask whether the following items have been the subject of correspondence with the Government of India and of protest from the Government of India the Indo-European Telegraph, which appears at 45,700*l.* These figures are, of course, merely roughly to indicate the thing?—Is that the Indian expenditure on that telegraph line?

2203 Yes?—No doubt there has been a great deal of correspondence about it; but I am not familiar with it, and cannot give you any information about it

2204 Then there is the Red Sea Telegraph which India pays for?—They were all settled before my time, I think, they were accomplished facts, I think; I cannot give you any information about that either.

2205. Then the Persian and China charges?—I have had something to do with the correspondence about the Persian and China charges I think there has been a reduction in them the last few years

Sir CHARLES BERNARD, Secretary in the Revenue Department, called in and examined.

1714. (*Chairman.*) You are Secretary, are you not, of the Revenue Department?—In the Revenue Department of the India Office.

1715-6 May I ask what offices you have held in India?—I have held many offices up to the post of Chief Commissioner in different parts of India.

1717. In India did you hold any post connected with the collection of revenue?—I was settlement officer of the Land Revenue and Commissioner of Revenue afterwards.

1718. While you were in India had you any opportunities for observing the conditions under which the excise duties are levied there?—Yes, undoubtedly.

1719. And that, of course, has come more under your consideration now as Secretary of the Revenue Department here?—Yes, my knowledge of it has been continued.

1720-3. Yesterday the Commission had under consideration the effect of the decentralisation policy, which has been to give so much greater discretion to the Provincial Governments in the management of their own Budget, and a statement was laid before us, which you will find at answer 679, if you have the print of yesterday's evidence before you. I will just read it through:—

“(*Chairman.*) The Memorandum says that up to 1877 the Provincial Governments had no interest in collecting the full revenue. The excise was notoriously evaded, and the Government suffered through careless collection of the revenue, a loss of which the amount was unknown, but which was, in the opinion of the Finance Minister, very large. Can you give us any idea of the extent or manner in which the revenue is benefited by the decentralisation policy, or any facts illustrating the change?”

“(*Sir H. Waterfield.*) As illustrations I may refer to the increase that has taken place since 1880-81 under the following heads.—

—	1880-81.	1893-94.	Per-centage of Increase.
	Rx.	Rx	
Stamps - - -	3,250,581	4,509,351	33
Excise - - -	3,135,226	5,388,573	85
Provincial rates -	2,776,370	3,514,571	21
Registration -	281,230	416,146	46

This per-centage is very much larger than can be attributed to the increase of population.” Further on, a discussion took place upon the increase that took place under the head of Excise in the 13 years, and Sir Henry Waterfield was asked whether he could say that during that time there had been no appreciable addition to the duties, and he answered:—

“That is my belief. I am not prepared to say that in no case there has been an alteration of the law which admitted to a higher rate. But the law did permit of certain variations of the duties, and in some cases they have been raised, in some cases they have been lowered, and, as far as I can make out, it has not been any material alteration which has affected that.”

“(*Mr. Cairns.*) But is not the excise rates based upon getting the maximum of revenue from the minimum of consumption?—Yes, that is so.

“Surely there must have been a considerable increase of rates of taxation to have carried out that policy?—That is what I was saying; that is adapted to certain circumstances. There may have been a high rate put on, but in other cases it has been found necessary to reduce, and so far as I am able to speak, that has not affected it. But I ought, perhaps, to tell the Commission that that is not my special province. The Revenue Secretary is the special officer, he deals with this; therefore I am not so competent as Sir Charles Bernard would be to give you an opinion on that point.”

There was, therefore, a reference to you, and you see the question upon which it arose, namely, that whereas in 1880-81 the excise was 3,135,000 Rx. in 1893-94 it was 5,388,000 Rx., showing a per-centage of increase of 85. That struck the Commission as a tremendous increase to occur, if there was no material alteration in

the rates of duties, and they thought they would like to ask you whether you could confirm what appeared to be Sir Henry Waterfield's opinion, that though there might have been variations to a certain extent on the one side or the other, there has been no such material alteration of duties as would really affect that per-centage of increase, and therefore that that per-centage of increase in round figures represents either a better collection of revenue under the provincial system or increase of prosperity, or both?—I think some of it is due to increased prosperity, but I do not go so far as Sir Henry Waterfield if he said that there has been no increase of rates; there has been a decided increase of rates. For instance, an increase has been made by law in the duty on imported spirits. Within the past ten years the duty was raised on spirits—London proof spirits—from 4 rupees a gallon to 5 rupees a gallon, and then again to 6 rupees a gallon. That is an increase, as you will see, of 50 per cent. within the period.

1724. You said Customs duties on imports?—Customs, yes. And then somewhat corresponding increases have been made in India in the excise duties.

1725. Countervailing duties?—Not precisely countervailing duties, but somewhat corresponding to them. For instance, in Bombay, Calcutta, and Rangoon, seaports where the home-made spirit comes into direct competition with the imported spirits, precisely the same enhancements have taken place. Up country the enhancements have not been quite the same, but everywhere there has been an increase of rates on spirits, and nowhere that I can recall has there been a reduction of the excise duty on spirits. Everywhere there has been any increase—that is, on spirits. Then take the other branches of excise—beer. Beer brewed in the country paid no duty at all in the beginning of the period. The same duty of 1 anna a gallon that is paid by imported beer has been levied during that period. Then, again, we will take opium. The excise revenue on opium is raised by Government selling opium for consumption in India.

1726. But is not the opium excluded from this table?—No, there is excise opium. The opium of which you speak is the foreign opium, but in the excise revenue there is included the excise receipts on opium consumed in India—not exported. That is raised by selling the Government opium from the Treasuries to licensed vendors in every province in India. During the period taken, the selling price of opium to licensed vendors has been greatly raised. For instance, in Assam it has now reached 37 rupees a seer. It used to be 22 rupees a seer; and in other provinces there have been similar, though not such great, increases. Then take another source of excise revenue, that is, ganja—that is, hemp drugs. The selling price or the duty on the hemp drugs has been similarly raised, and these enhancements of excise duty account for a great deal of the increase in the excise revenue. I take the figures of Bombay as an instance. In Bombay city, in 1883–84, the licit spirit sold and excised is 600,099 gallons—London proof spirit—and that yielded a revenue of 166,000 Rx.; and then 10 years afterwards the consumption was 561,000, somewhat less, yielding a revenue of 229,000 Rx. These Bombay figures give an example of the increase of rates that have been imposed.

1727. Could you give us a rough measure of what the effect of this increase might be upon the total excise revenue derived from spirits between those dates?—I have got the precise sum of the increase in the 10 years.

1728. In the 10 years; Sir Henry Waterfield referred 13 years; but if you have the 10 years at hand let us have the result?—I have only got the 10-year book in my hand. There was an increase in the 10 years of 1,377,600 Rx. of the excise revenue.

1729. Yes, but how much of that was due to spirits, do you know? It would be some help to us in the matter if we took these headings, on which you see there has been an increase of rate, and ascertain whether there

had been a noticeable increase of duty received on those ?
—The figures are as follows:—

EXCISE REVENUES of INDIA in the Years 1880-81 and
1893-94.

Sub-head, or Source of Revenue.	Gross Receipts in the Year		Increase of the later over the earlier Year
	1880-81.	1893-94	
	Rx.	Rx	Rx.
From spirits and liquors	2,117,000	3,881,000	1,764,000
From opium consumed in India - -	738,000	967,000	229,000
From other narcotic drugs, hemp, &c. -	305,000	468,000	163,000
Miscellaneous - -	28,000	43,000	15,000
Total - -	3,188,000	5,359,000	2,171,000

It should be understood that this revenue is independent of the customs duties paid on imported spirits and liquors, which amounted to Rx 380,000 in 1880-1, and to Rx. 595,000 in 1893-4.

1730. (*Mr. Caine.*) Is that 1,377,000 of increase in excise revenue in 10 years an increase as compared with the first of the 10 or the last, or is it spread over the whole 10?—That is as between the first of the 10 and the last.

1731. The first of the 10 years and the last?—1883-84 and 1893-94.

1732 Thank you; that is to say, in the latter year it was 1,377,000 greater than in the former year, 1884?—Yes

1733-6. It might have been inferred that it was spread over the 10, that was all?—Yes.

1737. Could you give us the consumption of liquor for the whole of the Bombay Presidency which has been under Sir Charles Pritchard for considerably more than the 10 years under review?—Yes, but you know in some of the districts the outstill system was only replaced by the other system a few years ago.

1738. Will you give it us whenever you can for Bombay, and estimate the other?—I can give it for Bombay.

(*Sir Andrew Scoble*) I should like to know how that arises out of the reference to us.

(*Mr. Caine.*) I do not think it does.

(*Sir Andrew Scoble*) Surely we are not entitled to ask for it unless it arises out of the reference to us.

(*Chairman.*) Mr Caine admits that it does not, therefore, of course, the question fails.

(*Mr. Caine.*) I do not press it at all, my Lord; I quite agree with you. I do not think it does arise; it was brought up.

(*Chairman.*) You see how the question of increased excise revenue has arisen.

(*Sir Andrew Scoble.*) Oh, I quite see how the general question has arisen, but as regards this particular inquiry, I do not see how it does arise.

(*Mr. Caine*) It appears to me that the Commission was a little startled with the statement that the increase in excise over 13 years has been 85 per cent.

(*Chairman.*) That is the point.

(*Sir Andrew Scoble.*) That is now explained.

(*Mr. Caine.*) Well, not altogether explained, but think a reason is given for it I do not press the matter. The Chairman appeared anxious to clear it up. I was anxious to help him, that was all.

(*Chairman.*) The point I want to come to is this, on the tested figures a very marvellous result is shown under the decentralisation system; but I do not think any people studying finance would be justified in accepting that result without inquiring whether the circumstances of the opening and closing years of the period in question are similar.

1739. (*Mr. Caine.*) I would like to ask Sir Charles Bernard whether, in his opinion, this unusual and abnormal increase in revenue is the result of the system on which the Government of India professes to base its

excise, that of raising on the minimum of consumption a maximum of revenue, by increasing the taxation on spirits to the utmost limits that consumption would justify without driving people to illicit traffic?—It is the case that everywhere the duty on spirits has gradually been raised during the last 13 years with that view.

1740. (*Chairman.*) This is an important point. Sir Henry Waterfield's evidence leads us to the not at all unreasonable conclusion, that a great part of this increase is due to that more careful collection which has followed the admission of the Provincial Governments to a share of the receipts?—Yes.

1741. I should like to ask whether you agree with him upon that point?—Yes, the administration of the revenue has improved. Smuggling is put down very much more strongly than it used to be. Within the last 13 years every province has set up or else has strengthened its subordinate staff for preventing smuggling and for collecting the excise revenue, and no doubt it has been able to do that with a freer hand since the provincial decentralisation.

1742. (*Mr. Caine.*) May I ask if there has been, to any extent, a stimulation of the sale itself in the way of opening increased numbers of shops, or anything of that kind?—On the contrary, I should say there has been no stimulation of the consumption; and as to opening increased shops, if you look at the papers presented to Parliament, you will find that the shops have gone down immensely. For instance, the province of Madras in 1888–89 contained, in all, 43,916 liquor spirits, opium, drug, and toddy shops. In the year 1893–94 it contained only 30,557.

1743. I am quite aware of that, but I thought it an interesting fact to bring out.

1744–5. (*Chairman.*) Perhaps, Sir Charles, your comparison (Q 1729) of the spirit revenue received under the head of Excise in the beginning of this period and at the end, inasmuch as you have shown us that the duties have been very considerably increased here, will enable us to judge to what extent that increase of duty modifies the rather startling conclusion that the revenue has increased 85 per cent.?—Yes.

1747. Then I think a further question arose also in reference to Sir Henry Waterfield's evidence as to what extent you can fairly take an increase in the amount of land revenue credited to the province as due either to better collection or to increased prosperity. Was the increase in any considerable degree due to the fact that there had been a re-settlement of the land revenue during that period, meaning a larger rental. I think the questions to which I would draw your attention in connexion with this are 715 and 711?—Yes.

1748–9. Now I would like to ask you whether you think that increase would come under the head of provincial rates or not?—Under land revenue, I suppose.

1750. And so far as any share of the land revenue is concerned, do you think we could say that the increase is due to increased prosperity and better collection, or should you say that we must make some allowance for re-settlements of the revenue?—Some part of the increase is due to re-settlement of the land revenue, which takes place at periods of 30 years; another part is due to extensions of cultivation, new land broken up and newly coming under the tax collector in the provinces of Bombay, Madras, Burma, and Assam; but I do not know that any part of the increase is due to better collection. The revenue was collected with fair punctuality before, and is collected with punctuality now.

1751. You, of your own knowledge, would not attribute any part of this increase to the fact before us—the fact of decentralisation. That was the simple point?—No; I think I can say that the land revenue was assessed and collected in a satisfactory manner before decentralisation, and it is assessed and collected in a satisfactory manner now.

1752. Of course bringing new land into cultivation may be fairly taken as an advance of prosperity?—An advance of prosperity.

1753. And a question arose as to how far you are to look upon an advance in revenue rates in consequence of re-settlement as an increase of duty, or how far it is a mark of increased prosperity. Of course there may be increased revenue based upon capital, increased yield for which there had been no outlay. Naturally any increased yield in that case would be a mark of prosperity. If, on the contrary, it results from an outlay,

from improved cultivation costing a certain amount, then I think you have got a right to look upon that as increase of duty?—I would just like, if I may, to give an instance of what I mean when I speak of the increase of prosperity. In the one province of Lower Burma alone the cultivation extends every year 100,000 acres or more, and that means an additional revenue of two lakhs of rupees in Burma alone. As to the increase of land revenue at re-settlement, I do not think that is due to any increased yield of land, except where irrigation may have been introduced. We cannot say that the land yields more than it did per acre under the same circumstances; the increase in the rate of land revenue per acre is due mainly to the increase in the price obtained by cultivators for their crops in many parts of the country which have lately been opened out by railways.

1754. Quite so; that is the point?—Broadly, that that is the reason.

1755. Owing to the opening out of the country a better market is given to the produce, and the value of the land is increased?—And also increased external commerce. For instance, in the last 13 years the export of oil seeds from India has gone up in value from Rs. 6½ millions in 1880-1, to Rs. 16½ millions in 1893-4. This represents an important addition to the cash return which Indian farmers (ryots) get for their crops.

1756. But you yourself would attribute a great deal of the raising the rent, when a re-settlement takes place, to the result of an inquiry as to what the effect of opening up the country and opening up fresh markets has been?—Yes; if you would allow me to give an instance, I would quote Chutteesgarh, in the Central Province, which was thoroughly land-locked up to the year 1880. Since then railways have been opened, and the settlement has come under revision. At the close of the term, 20 years, prices had gone up quite 80 per cent., and in places more than 100 per cent.

1757. And what was the result, do you recollect, of the re-settlement in that case?—In round numbers I should say 45 to 50 per cent. in that province.

1758. I think that that is a reply to that point which arose on this table of Sir Henry Waterfield, namely, how far expert opinion would say that those percentages were attributable to the decentralisation policy; the decentralisation policy may take credit for a considerable amount of that increase, but by no means for the whole?—Not in land revenue.

1759. Quite so; I understand you make that exception?—Yes.

1760. May I ask whether you are satisfied that the supreme authority for the collection of the chief heads of revenue at Calcutta, at the head-quarters, is strong enough. I will bring before you what I mean by a comparison between what takes place in India and here, as a test by which to understand the system of India. Here we have in the Board of Customs and a Board of Inland Revenue a central authority by which all changes and modifications of the law are prepared, which are the ultimate authority for interpreting the provisions of the existing law. These Boards have for their chairmen men who are always at hand, and as I may say, are the standing Council of the Chancellor of the Exchequer on revenue questions. To the Chancellor of the Exchequer, as Minister of Finance responsible to Parliament, having under him the Treasury, there is the right of appeal from those Departments of Customs and Inland Revenue, and he has his own officers in the Treasury to advise him also. Now, from questions which have been put to Sir Henry Waterfield, we have gathered that the power of the Finance Minister and his Department corresponds rather to the power of the Treasury here; and that the actual collecting authority, the expert authority, which is responsible for the proper collection of the revenue, has no supreme representatives at Calcutta, but that the authorities are scattered throughout the provinces. Therefore, if the Finance Minister wishes to be instructed in technical matters, and to receive the advice of real experts in questions connected with the revenue, he has either to send for a chief officer from Bombay or Madras, for he has no one officer who can describe to him the system and the results of the system over the whole of India. That, I think, came before us in the evidence, and I want to ask you whether it represents, in your view, the constitution of the Revenue Departments in India, and whether from your experience you are entirely satisfied that the present system is an altogether sufficient one, and one which you

do not think needs any amendment in the direction in which I speak. Of course I am comparing the system in India, as far as we understand it, with the system here, but one always understands that the conditions of the United Kingdom, in many respects, are extremely different from those in India, and therefore it does not in the least follow that what is found satisfactory in the United Kingdom is therefore a model for what should take place in India?—I think you must divide the revenues. If you take salt, excise, opium, and income tax, you will find in the bureau of the Financial Department there is an officer called the Deputy-Secretary, who has the work of reviewing those departments all over India; but if you take the land revenue it is different. The land revenue cannot be administered from any central office in India, the systems of land revenue, the tenures and the ways of the people are so entirely different, that the land revenue must be administered separately for each province; and in every province you have a sufficiently strong administration with whom the head of that province is in touch. But when a Finance Minister goes out newly and wants to ascertain the facts, and how far it is possible to impose new taxes, his plan is generally to travel. You will find that Mr. Wilson, when he went out and proposed increases of taxes after the Mutiny, to fill up the terrible gap that then existed, what he did was to travel all over India. I was then a young officer. I recollect his coming to my district and asking questions, and so he went all over the country. But with land revenue you cannot have a central authority.

1761. I quite understand that with regard to land revenue; but you say that within the Finance Ministry there is a Deputy-Secretary charged with revenue business?—Charged with the supervision of excise, opium, income tax, salt revenue, and so on.

1762. The difference I want to ask your opinion about is this, and here again, not by way of model, but simply by way of comparison, I take the system at home. Here, in London, is the Board of Inland Revenue. The Chairman of the Board of Inland Revenue is in daily attendance at Somerset House, with the Board; and apart from the Board, his whole year is engaged in superintending, and in directing and controlling the actual levying of the revenue; the consequence is that he becomes an expert in all details of revenue administration, because he, with his colleagues on the Board, is every day interpreting and settling the conditions on which a tax shall be imposed, and the validity of claims for exemption. Also he is in daily contact with the officers of his Department, who are coming to him, and from them he learns all the particulars, the secret history, of the revenue, from which he can form an opinion as to whether the law is good in its present condition, or whether modifications of it are required, and in what direction. Now a secretary in the Finance Department, who would rather correspond to one of the principal officers in our Treasury here, does not represent an officer so versed as I have described the Chairman of the Inland Revenue Board to be in the every-day administration of taxation, and that could be put on the same footing as advisers of the Finance Minister?—That is quite true; he does not represent in any way the Chairman of the Inland Revenue at home, but in every province you have an officer who corresponds to that official, one for each province.

1763. And therefore the Finance Minister, if he wants really practical information upon the collection of a tax, must get it by travelling?—Travelling or summoning chief revenue officers to meet him.

1764. But the advantage of the system here is that the Chancellor of the Exchequer has an expert always at hand; he can summon him at any time he likes daily. Of course, it is very important that the Finance Minister should travel throughout India; but he can only do it from time to time, and of course he can only also from time to time see those officers who are engaged in the work of collection?—That is so; but what I submitted was that no single officer could direct the details of revenue affairs over all the 10 provinces of India. The circumstances differ so greatly.

1765-6. Quite so, that I quite understand; but if you were Finance Minister, and had the choice of the two systems, would you like to have your technical adviser near at hand, so that you could always have reference to him, or would prefer the present position, which only enables you to avail yourself of his advice, either by

travelling many hundreds or thousands of miles to meet him, or bringing him so many hundreds or thousands of miles to meet you?—What I would say is that the Government of India is conducted, not by the Supreme Government directly, but by the Local Governments. They are the people who are responsible, and I think the Finance Minister must look to them, and not attempt to place himself in direct relations with the local officers.

1767. (*Chairman.*) Against that I should say that the management of finance of an empire like India seems to me a very heavy charge, in many respects more so than the management of the finance of a more compact and smaller country like England; and I may put it before you whether, in order that the Finance Minister may be thoroughly efficient for his purpose, he should have his skilled advisers close at hand? If that is not possible, there is a defect in the system, though it may not be possible to amend it in the direction in which we have been speaking?—I do not think it is possibly useful to amend it in the direction you are speaking of, but I will go further, and say that I do not think in that direction amendment is wanted, because I explained that the revenue is administered and the country is governed by the Local Governments, and you must look to them, and the Finance Minister must look to them, and influence the detailed working of the machine through them; he cannot do it himself, it is too big a business, and too complicated.

1768. Of course, if you apply that fully you may apply it to everybody. Would you apply it to the Viceroy, who governs through other people? But the question is. You must always hold that the Finance Minister is eventually the man who is responsible for the finance of the country, and it is hardly sufficient to represent him as a person who simply delegates finance to the Local Governments?—But the Provincial Government system, of which you have been speaking, was the consequence of the recognition of that fact, was it not? I mean, the Government of India devolve the responsibility of governing and administering these revenues on the Local Governments.

1769. But you observe, in doing that, that the Central Government is very careful to preserve a complete control, and, while it devolves this full responsibility, it retains complete powers of superintendence?—Quite so.

1770. That involves the full responsibility of the Finance Minister under the new system and also the full responsibility of the Supreme Government that the system of finance is as good as they can make it. But I will not press this point very far, because the point at which it touches us is that of the collection of the revenue, and we have extended it rather far on to the question of taxation. But, *quâ* collection of revenue, the Finance Minister, you think, has, though he has not got these expert officers at hand to consult, sufficient information available to make you justify the system?—That is my view.

1771. (*Sir Andrew Scoble.*) And he could always get his officers if he wanted them?—He does have them from time to time.

1772. (*Sir William Wedderburn.*) With regard to the addition to the excise; I think you divided rather between the increase from increased duty and increase from prosperity?—Some part of it may be due to prosperity; I do not recollect saying it. I think it is partly due to increased rates, and partly due to improved administration; but mostly to increased rates, I think.

1773. It was only with regard to the use of the word "prosperity." When it was not from increased rate it would be from increased consumption, I suppose?—I have been trying to show that, as far as I can judge, the consumption has not been increased. I quoted figures to show that, did I not?

1774. Then would it be only from increased rates?—Increased rates, and increased prevention of illicit transactions.

1775. But preventing the illicit consumption would not have an effect on the revenue, unless it increased the consumption of Government liquor, would it?—That is so.

1776. (*Mr. Cairns.*) It is the case, though, that in the excise reports the officers constantly say that the revenue has improved in consequence of better trade, or better crops, and so on. The fact is that those who use drink, being in the habit, take more?—Sometimes, if there are

good crops they buy more ; if there are bad crops they buy less.

1777. (*Sir William Wedderburn.*) And with regard to the land revenue the enhancement, the increase of land revenue ; I think in the Bombay Presidency there have been of late years very large enhancements, have there not, in the re-settlement?—The revision of the land revenue in Bombay is now almost done. It was made at the end of 30 years' settlement, and it has resulted altogether in an increase of a little over 50 lakhs of rupees.

1778. I think I referred to a case in the Bassein district regarding which an answer was supplied from the India Office with regard to very large enhancements in individual cases. I brought to notice cases in which an individual holding had been raised as much as 10 times the assessment on one holding. Such cases are incompatible with the idea that it is a general raising of the assessment on account of improved general prosperity or any beneficent action of the Central Government, are they not?—If such cases were common your deduction would be correct, but I am not aware that such cases are common. I can quite conceive of a case where the land revenue has been raised 10 times. For instance, I was settlement officer of land revenue in Chanda 30 years ago, and there were occasional villages in the jungle that I assessed at 5 rupees each. I should be quite prepared to go now, 30 years afterwards, and find that they were assessed at 50 rupees, because the cultivation has improved and greatly extended. The single case, I believe, that you are referring to is probably something of that kind.

1779. I think those were ryotwari cases on small holdings?—Quite so.

1780. Small holdings. It was a case of raising, perhaps, 4 rupees to 40 rupees?—I think it was a case, probably, of raising 12 annas to 8 rupees, something of that kind.

1781. Something of that sort. But my question was whether those individual enhancements were not incompatible with the idea of only raising the assessment generally on account of public works such as railways, carried out by the Central Government, is not that incompatible with that idea?—If there were such a case it would not have been on account of any central works, but for instance, if a man had a holding of which nine-tenths at the last settlement was grass, and paid no revenue, and now he has cultivated it all, then he pays revenue on it all.

1782. But I think you know in Bombay the system is of fixing a rate upon a number, with the assurance that there will not be any increase there, taking up the uncultivated land within that number.

(*Sir Andrew Scoble.*) Mr. Chairman, are we to go into this?

1783. (*Sir William Wedderburn.*) I think I am right in saying that these are enhancements upon the improvements of the tenants?—I have no knowledge that they are, I should say generally that enhancements are not made on the improvements of the tenants ; but I cannot speak upon particular cases without particular inquiry.

(*Chairman.*) Of course we had better confine ourselves as far as we can to the question which came up yesterday, namely, how far the deductions from that table were justified by the facts—and as to whether there was reason to modify them in consequence of taxes having been raised or altered. That I think was the leading question.

(*Sir William Wedderburn.*) Sir Charles Bernard thought it had not had much effect—the decentralisation had not had much effect in raising the land revenue?—That is what I submitted.

1784. I was rather speaking that it had stimulated the settlement officers to run up the rent upon individual holdings, and that it had had that effect?—I cannot think that for a moment. Having been a settlement officer myself under the old system, and having controlled settlements under the new system, I decidedly say that decentralisation of the finances has not conduced to further enhancement of the land revenue.

1785 (*Mr Naoroji.*) From the evidence yesterday, it was suggested that the increase in the revenue was owing, to a large extent, to increase of prosperity of the people. I have asked Sir Henry Waterfield if he could supply us with a statement of all the additions to rates and taxes, all new taxation, the enhancement of land

assessments, and consequent enhancement of provincial rates during 30 years or during any period. Till we have that information before us, we can hardly judge properly whether an increase is owing to the additional levy or additional prosperity. Can you supply us with this information; because I was referred to you as being the best person who would be able to say whether it can be supplied or not, either now or afterwards, from the Government of India?—It will be possible to say, after a time, how much increase of land revenue is due to revision of settlement. Is that the question?

1786. Increase of all revenue owing either to increase of taxation or increase of assessment; that is to say, increase by levying instead of the increase of the prosperity of the people?—Of which revenue do you speak?

1787. The whole revenue; because that was urged here that the increase of revenue proved that the people were more prosperous, and this matter would be cleared up if we knew exactly the whole of the information. That was the reason why I put this question?

(*Chairman*) Must we not, Mr. Naoroji, at the present time confine questions to the increase of taxation rates under the heads which are affected by the table that Sir Henry Waterfield put in? You see, your question would refer to the whole scheme of taxation.

(*Mr. Naoroji*) Yes.

(*Chairman*.) Before we go into that subject it would be necessary, I think, to consult the Commission as to how far it lies within the scope of our inquiry.

(*Mr. Naoroji*.) Yes.

(*Chairman*) I think where a witness puts before us in proof of the beneficial result of a financial measure certain figures, that there, and within the limit of those figures, we have got a right to ask whether any changes in taxation have taken place affecting that result which ought to be borne in mind as modifying the general result shown by those figures, but I think we must confine ourselves to the items shown in that table.

(*Mr. Naoroji*) I am quite willing to confine myself to any portion that you may direct. Therefore, I will only say that the general conclusion should not be admitted, that increase of revenue is owing to the increase of prosperity, unless we have distinct information to show that.

(*Chairman*) I think Sir Henry Waterfield when he spoke was confining himself to his own table, and that table is the one at 679.

(*Mr. Naoroji*.) Then, therefore, even that table, even to that partial extent we should have information as to what is known.

(*Chairman*.) I think on that point, and up to that point, you are entitled to ask questions. If you go beyond that point I think we must consider whether it lies within our scope.

(*Mr. Naoroji*.) I do not want to go on at present. Simply because it was proposed here, and therefore I said it.

(*Chairman*.) Then, if that be the case, your question would be modified in this respect, would it not? That you would ask Sir Charles Bernard whether, over a certain period of years, he would be able to tell you what changes of taxation had taken place in the heads of revenue to which that table refers?

(*Mr. Naoroji*.) To that extent then we will limit it, if it is so limited and so understood.

1788. (*Chairman*.) Quite so. Then now we should hear what Sir Charles Bernard thinks on that point?—I think it would be very difficult to make such a table as Mr. Naoroji requires—of course it could be attempted. I do not know whether reference to India would be necessary or not—probably it would. It would be very difficult to do it.

(*Mr. Naoroji*) If that is not done, then all I can say is, nobody is justified in drawing conclusions that the increase in the revenue is the proof of the increase of the prosperity, because, on the contrary, the position of the political condition of India, and its political drain in the employment of Europeans, notwithstanding the increase of revenue in any particular Department, would not at all prove that the people are prosperous. The people may be deteriorating on the contrary, which is just possible.

1789. (*Chairman*) Perhaps, Sir Charles Bernard, with regard to that, you could communicate with us next week, and tell us whether any method occurs to you of giving the increase upon those branches?—What was the number of the question?

(*Mr. Naoroji.*) The number of the question is 715.

(*Chairman*) The table, upon which this discussion arose, is in Question 679.

(*Mr. Naoroji.*) Then, in the course of further questions, I asked for the production of a note prepared by Sir David Barbour.

(*Sir Andrew Scoble.*) I thought that it was settled that Sir David Barbour was to be asked about that.

1790. (*Mr. Naoroji.*) I asked this question, and then I was referred to Sir Charles Bernard, that I should ask him; and I will put it in another form, because we know that in one of the financial statements Lord Cromer said this:—

“It has been calculated that the average income per head of population in India is not more than 27 rupees a year, and though 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 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.”

Now, I am not going to discuss that. I only wanted that we should have here a copy of the calculations, by which Lord Cromer came to this result, supplied to us, and if with that calculation of that particular year—1881—or whatever it might be, if we should have any similar calculations for succeeding years we should then be in a position to see whether the condition of the people or the prosperity of the people was in any way increasing or diminishing the average per head. Now I do not suppose there can be any difficulty in getting the calculations from the Government of India, for they actually exist in the records; would there be?—I think, sir, a somewhat similar question was asked in Parliament, was it not?

1791. Yes?—And I think the Secretary of State gave a reply.

1792. Yes, but that reply was unsatisfactory, and I want the information here?—I cannot presume to add to the Secretary of State's reply.

1793. The reply of the Secretary of State was unsatisfactory, and that is the reason why I ask you whether—the thing exists—any public records can be produced here to enable us to judge fairly what the real condition is. All I want is that there is a public record which throws light upon a very important question which we will have to discuss here, and that therefore this record will be of very great use?—I think, sir, if I may say so, that that question repeats what was put in Parliament one or two years ago, and which was answered by the Secretary of State, and I have nothing to add to the Secretary of State's answer.

1794. What I want here is your answer for the Commission; whatever it is; let it be recorded on the Commission's reports?—I shall be happy to look up the Secretary of State's answer, and submit it.

1795. Why should it not be supplied?—I shall be happy to look up the Secretary of State's answer and submit it, but I cannot go beyond it.

(*Chairman*) Mr. Naoroji, you will recollect the conversation that took place yesterday. You will see that the witness is put in a rather difficult position. When the Secretary of State has made an answer, it must be clear that the officer of the Secretary of State can hardly go beyond that answer. There was a solution suggested, for the moment. This was a calculation made by Sir David Barbour; as I understood it, it was not a calculation for which the Government of India would be responsible?—That is so, sir.

(*Chairman*) And, that being the case, I thought we suggested, and I rather thought you, Mr. Naoroji, accepted the suggestion at the time, that we should reserve the question till Sir David Barbour comes, and that he was the proper officer as he made the calculation to discuss the matter with.

(*Mr. Naoroji.*) Yes, but then as it is said that the Government of India is not responsible for it, and that is the reason why I am obliged to put it in this form

that the Government of India is responsible for it, because they have actually used this in an argument in a certain financial speech and that, therefore, they have made a public use of that calculation that we ask the Government of India to produce it. That is my position.

(*Chairman.*) You are quite entitled to ask the question, but I would submit to you that the witness could not give any other answer.

(*Mr. Naoroji*) But I am afraid Sir David Barbour would say that he was a subordinate, therefore he did work for the Government over which he has no control, he can give no information.

(*Chairman.*) We shall hear that from him.

(*Mr. Caine*) Surely, my Lord, if the Government of India have repudiated this document, that particular document becomes Sir David Barbour's property. If he chooses to put it on the table of the Commission he can do so. I think we had better wait till he comes and ask him to lay it on the table of the Commission.

(*Mr. Naoroji.*) The question cannot arise, the Government of India has used that document.

(*Sir William Wedderburn.*) Is it a confidential document? What is the nature of the objection, can you state, to producing it?—I cannot go beyond what the Secretary of State said.

(*Mr. Naoroji.*) Perhaps the Secretary of State's answer may be brought here and then we shall be able to see a way out of it.

(*Chairman.*) The witness has already alluded to the Secretary of State's answers, and perhaps the best way would be that he should put them in—I think that would be quite sufficient so far as the witness is concerned (*see at the end of evidence*)

1796 (*Mr. Naoroji.*) Then there is another matter on the same subject. A correspondence has taken place between me and the India Office, or the Secretary of State for India in the year 1880, beginning with my letter, dated 24th May 1880, and I should like you to say, if you can, whether that correspondence can be put here, because it is upon the same subject, and it would throw much light, as actual discussion has taken place between the Secretary of State and myself on this question of prosperity or adversity?—Was not the request for the correspondence also made to the Secretary of State sometime ago?

1797. Not in Parliament, I think?—By you: did you not ask for it?

1798. I asked from himself?—And what was the answer?

1799. His answer was it was antiquated, or something of that kind; I do not remember. If you will bring the answer we will deal with it?—I cannot go beyond the Secretary of State's answer on the point.

(*Mr. Naoroji.*) Then if you will bring that answer we will see *

1800 (*Mr. Caine.*) I should just like to ask a single question to clear up that matter of the 85 per cent of the excise, because I think, as the question now rests there will be slight confusion. I understand, and perhaps you will correct me if I am wrong, that you attribute the increase of the 85 per cent. over the 13 years under review to three causes—firstly, to the transfer of consumption from illicit to licit supply in consequence of the suppression of smuggling; secondly, to enhanced taxation; and, thirdly, to increased purchasing capacity of habitual users of exciseable articles?—I do not know about the third. I do not remember saying that.

1801 I rather gathered it; you used the word prosperity?—In some regions, no doubt the people are richer, and have bought more, but over the whole of India, you cannot say they have bought more.

1802. I think those three points are really a very fair summary of the argument of the Indian Government with regard to this increase?—Yes, I think they are.

1803. May I just ask a single question. There was a little discussion yesterday on the question of the tobacco tax. I should value your opinion perhaps more than any other I can get upon the subject. Do you think

* NOTE—The witness has found that the reply which is cited in Question No. 1799 is not an official record; so he is not able to produce it.

it would be possible to tax tobacco?—I think it would be extremely difficult. May I tell you my own experience of it.

1804. I should like it very much, if it is in order?—I am perhaps the only man in India who has ever had to draw a Bill for enacting a tobacco tax. That I had to do in 1872 in Bengal, and that Bill had got so far that it was in print, and I was to have introduced it into the Legislative Council that morning, when orders came making it unnecessary to impose the tax. I was greatly relieved by not having to introduce the tax, for this reason, that such an impost practically interferes with the comfort and the pleasure of almost every one of Her Majesty's subjects in India. For instance, in Bengal, let me tell you what we had to do. At the present time in Bengal, tobacco is grown in every single village in the country almost without exception. In order to levy a tobacco tax we proposed to prohibit the growth of tobacco in all but about six or seven districts, and then to excise it there, and to excise its passage into every district. We probably should have raised the price of tobacco two or three fold, and only get a very small revenue indeed; while we should have had to interfere with and harass the people in almost every village of the province. When I was serving in Burma I went through the jails to see how many of the people actually consumed tobacco. I could hardly find a single person, man or woman, who did not consume tobacco. The tobacco tax would practically, in some provinces, touch in the same way every single person that the salt tax touches; and besides touching such an enormous number of the people, it would immensely enhance the cost of tobacco to the consumer, and also it would be an interference, which the Government of India is always most slow to make, with the people in the management of their estates, and the crops they grow. Those, to my mind, are the objections to it; and although the salt tax is a dreadful tax, if money must be raised from the poorest people of India I would rather see it raised by a small enhancement of the salt tax than by any attempt to introduce into India a tobacco tax with all its attendant evils.

1805 (*Sir James Peile*) It is a fact, I think, is it not, that there has been a very active development of *abhari* excise administration contemporaneously with the decentralisation of the finance?—That is a fact.

1806. And that development of the excise system has been carried out by means of Acts for different provinces in which permission is given to levy duties which the Government can increase if it wishes. There is no fixed rate of excise duties?—There is no fixed rate, but there is an attempt in most provinces to make the tax on spirits bear some ratio to the Customs duty.

1807. That is what I was coming to. The attempt is to raise the excise duty up as nearly as possible to the level of the Customs duty on imported spirit?—That is so at the great marts on the coast.

1808. And in the development of the excise administration it extends itself, we may say, outwards, from the central to the backward districts, or say, from the city of Bombay, as a centre, to districts at a distance from the city of Bombay?—The rates are not enhanced so high in the backward places.

1809. The backward districts are under lower rates, and the duties are gradually increased as the administration gets a firmer grasp, and smuggling is put down?—They have been increased gradually over all India during the last 15 years, even in backward places.

1810. As a result of the better administration of the excise business?—Undoubtedly. More attention has been paid to excise in the last 15 years than before.

1811. So there is a combination of better administration and a rise in the trade?—Until you had a firm administration you could not trust yourselves to raise the rates.

1812. And it is connected with the decentralisation of finance?—It is contemporaneous with the decentralisation of finance; but I believe that the Indian officers would have done their duty in those matters, even if the finances had not been decentralised.

1813. Still, the Local Governments have had a greater interest in developing the system than they would have had otherwise?—I do not think that the interest makes the local officers take any other course than they previously took. I do not think so myself.

1814. (*Mr. Caine*.) They get none of the excise revenue, do they?—Yes, the Local Governments get a

part of it; a share of it. I do not think that in order to do that, to increase their revenue, they would take any special steps. It is within your recollection that the Burma Government proposed greatly to reduce the consumption of opium, and caused themselves a loss of about five lacs they expected of provincial revenues.

1815. (*Sir James Paile.*) I do not mean that the Local Governments increase the duty in order to increase their revenue, but that they have a greater interest in close administration?—It has been made over to them entirely, the responsibility and the power, therefore they discharge the responsibility and they exercise the power which they had not got before.

1816 (*Mr. Cairne.*) What commission do they get, or what share?—One quarter of the excise revenue is treated as provincial income in all provinces.

The witness withdrew.

Adjourned till Tuesday next at 11 a m.

Paper handed in in consequence of Question 1795.

ANSWER sent to Mr. Naoroji, M.P., on 29th March 1893.

The Secretary of State, having consulted the Government of India, does not think it expedient to present the note prepared by Sir D. Barbour in 1881. It is now partially out of date, while some of the opinions it contains are necessarily of a speculative nature, and, if published now, might be misleading.

ANSWER given in Parliament to Mr. Naoroji, M.P., 27th April 1893.

To the first part of my hon. friend's question my answer is in the affirmative. There is reason to think that Major Baring's statement had reference to the confidential note described by my hon. friend. The information upon which that estimate was based is from 13 to 23 years old, and the Secretary of State thinks it inexpedient to present to Parliament a statement which is now so much out of date. He has consulted the Government of India, who concur with him.

ANSWER given in Parliament to Mr. Naoroji, M.P., 5th May 1893.

For the reasons given on the 27th April, the Secretary of State is unable to lay on the table the confidential note to which my hon. friend refers.

ANSWER given in Parliament to Mr. Naoroji, M.P., 4th April 1895.

Considering that the statement to which my hon. friend refers was confessedly founded upon certain data, and that any similar calculation which might now be made must be founded on equally uncertain data, and might probably be misleading, the Secretary of State is unable to agree to my hon. friend's motion.

Confidential.

INDIAN FINANCE COMMISSION.

At the India Office, S.W.

FOURTH DAY.

Tuesday, 12th November 1895.

PRESENT :

THE LORD WELBY, G.C.B. (CHAIRMAN), PRESIDING.
SIR WILLIAM WEDDERBURN, Bart., M.P.
FIELD MARSHAL SIR DONALD STEWART, Bart.,
G.C.B., G.C.S.I.
SIR E. W. HAMILTON, K.C.B.
SIR JAMES PEILE, K.C.S.I.
SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
SIR RALPH KNOX, K.C.B.
MR. G. L. RYDER, C.B.
MR. T. R. BUCHANAN, M.P.
MR. W. S. CAINE.
MR. DADABHAI NAOROJI.
MR. COLIN G. CAMPBELL, *Secretary.*

SIR DAVID MILLER BARBOUR, K.C.S.I., called in and examined.

1817. (*Chairman*) I think you were Financial Member of Council in India. During what years?—From the end of 1868 to the end of 1893.

1818. Would you tell us what other posts you have held in India?—I was a member of the Bengal Civil Service from 1863 to 1893; and from the beginning of 1872 to the end of 1893, that would be about 21 years, I was employed chiefly under the Financial Department and in connexion with the Financial Department. I was Under Secretary in the Financial Department and Secretary afterwards, and I was Accountant-General of Bengal and Financial Secretary to the Government of Bengal. I was employed on special duty at various times; in fact, I was attached during the greater portion of my service to the Government of India and the Financial Department. I saw the working of the Government of India under six successive Viceroys.

1819. And during the early part of your service, from 1863 to 1872, were you engaged in financial business?—No. From 1863 to 1872 I was not. I was employed in what is called the Regular Line of the Service. Miscellaneous duties, some judicial duties, collection of the revenue, and looking after the Excise, and so forth.

1820. That is the point I wanted to ask you; had you, during that time, intimate acquaintance with questions connected with collection of the revenue?—With some portions of the revenue, certainly.

1821. Therefore, you have seen collection of the revenue or of some portions of the revenue in detail?—Oh, certainly, for about eight years.

1822. We are confining our inquiry at present to the organisation of financial administration in India, and we are anxious to obtain the opinion of those who, like yourself, have held the highest financial posts in the Indian Empire. Various questions will arise at another stage of the inquiry connected with what I may call the progress of expenditure; but for the present moment we are confining ourselves purely to the financial machinery. You have, I think, seen the evidence given by Sir Henry Waterfield and Mr. Jacob, and you have gathered from that the nature of the information which we seek?—Yes, I have seen their

evidence, also Sir Oliver Newmarch's, Mr. Becher's, and Sir Charles Bernard's.

1823. May I call your attention to the question at the beginning of Sir Henry Waterfield's evidence on the respective powers of the Chancellor of the Exchequer here, and of the Financial Member of Council in India?—What is the number of the question? I think the question is this: Is the position of the Financial Member of Council similar to that of the Chancellor of the Exchequer?

1824. I endeavoured to describe to the witness what I considered to be the functions of the Chancellor of the Exchequer, and after that I asked the witness whether he thought the powers of the Finance Minister in India were equivalent to those of the Chancellor of the Exchequer?—I think the position is very much the same. Theoretically I should say the powers were the same, practically I should say there was a very great difference; but theoretically the powers and the position would be about the same.

1825. Do you consider that the Financial Member of Council in India has a control over expenditure as complete as that of the Chancellor of the Exchequer over expenditure in England?—I am not very well acquainted with the exact nature of the control of the Chancellor of the Exchequer, but I think that according to the rules, all questions of expenditure come before the Financial Member of Council as completely as could be expected or would be reasonable. The questions come before him I should say very fully and thoroughly.

1826. The theory, and I think I may say the practice, here is generally summed up in the Treasury maxim, that the assent of the Chancellor of the Exchequer must be obtained to any measure increasing or tending to increase the public expenditure?—Well, that would be the case in India. Of course there is an appeal. But all questions involving expenditure, either questions of immediate expenditure or questions of policy directly involving expenditure, would certainly under existing rules come before the Financial Member of Council.

1827. From what I have been able to learn of financial administration in foreign countries, the power of the Treasury, that is, of the Chancellor of the Exchequer, in controlling and regulating public expenditure is much greater here than is, at all events, usual abroad?—Oh, I think there is no fault to be found with the Indian system from the financial point of view, so far as the system provides for the coming of these questions before the Financial Member of Council.

1828. In other countries the Financial Minister is rather the Registrar than the Controller of the expenditure of his colleagues. May I take it that your opinion inclines to the view that the Indian Finance Minister's powers more closely resemble those of our Chancellor of the Exchequer than those which I attribute to the Foreign Ministers of Finance?—Well, theoretically, they more closely resemble the powers of the Chancellor of the Exchequer, but practically and at times he might be much more in the position of registering the expenditure which other authorities wish to incur rather than actually controlling it himself.

1829. The power which I have described as residing in the Chancellor of the Exchequer is in theory, and I think I may add in practice, complete. The greatest and the smallest measures of the kind described are alike subject to it, and it includes measures which indirectly as well as directly increase or tend to increase the expenditure. I put that question in order to ask you whether you would in any way qualify what you have stated already when the powers are described as broadly as that?—No, I would not qualify it. I think, theoretically, the position of the Indian Financial Member of Council corresponds to that of the Chancellor of the Exchequer.

1830. The checks on the Chancellor of the Exchequer are, in the first instance, the Prime Minister, who is usually First Lord of the Treasury; in the second place, the Cabinet; and lastly, the action, or the anticipation of the action, of Parliament. Is it your opinion that the control over the Financial Member of Council is as complete as that over the Chancellor of the Exchequer and if you consider that it differs, either in theory or practice, would you state in what respects it differs?—Well, theoretically, as I said, his position is the same as that of the Chancellor of the Exchequer. Practically, it is very different: in practice his powers

are very different, because, of course, he has not got behind him the control of Parliament or of any authority at all corresponding to Parliament.

1831. And therein you agree with me in what I described as a considerable check upon the Chancellor of the Exchequer, namely, the anticipation of the action of Parliament?—Quite so, and a check upon those who would over-rule the Chancellor of the Exchequer.

1832. Quite so?—That of course is a check that is wanting entirely, or almost entirely, in India.

1833. May I ask you whether, theoretically, you would wish the powers of the Finance Minister strengthened?—I do not wish to see his position strengthened in so far as the present system provides that all questions of expenditure must come before him. I think that is provided for; but I certainly think that something is very desirable, which would ensure greater attention being paid to financial considerations in connexion with the Government of India. I do not know that I am prepared to suggest alterations in rule or machinery that would secure that; but I have no doubt that something is desirable, if it can be obtained.

1834-5. At present we are only anxious to obtain your opinion as to the sufficiency of the powers of the Finance Minister. In England, the assent of the Chancellor of the Exchequer is sought by official letter from the departments seeking to incur expenditure and given by official reply from the Treasury. Is that the course in India? By that means we have on record here the applications and the replies?—Yes. Assent is sought by application from the department; but it is not necessarily official application, that is to say, the notes or proposals would be prepared in one department and sent over as they stood to the Financial Department—that is done in order to save time.

1836. But those notes would be available for official purposes?—Oh, certainly, they would remain in the Department.

1837. The Finance Minister would be able to show that such and such questions had been submitted to him, though they were only submitted to him in the form of the note which you have described?—I do not know what distinction you make in this country between official papers that are brought on record and papers which are not brought on record, what we used to call in India unofficial papers. Those papers to which I refer, would probably not be brought on record, that is to say, they would never be published, nor would they be ordinarily given to the public, but they remain in the Department, and are generally printed.

1838. Quite so. They are on record?—They are on record in the sense that they remain in the Department, they exist. I do not know that they would be produced in any public inquiry or anything of that sort.

1839. That would be a question of discretion?—As a rule, they would not.

1840. Quite so. The possibility, the probability perhaps, of parliamentary questions usually makes the Chancellor of the Exchequer anxious to have applications of this kind, even though they may have received his private sanction, placed upon record in official form. That consideration naturally does not weigh so much in India, because the Indian Government has not got that anticipation of parliamentary action, which is so constantly present here?—Yes, that would be so. It saves time for the actual notes to come over—the proposals to come over in their original form.

1841. If expenditure is incurred here without the assent of the Chancellor of the Exchequer, the Comptroller and Auditor-General reports the irregularity to the Treasury, and if the Treasury does not give its covering sanction, or if in doing so it exceeds its powers, the Comptroller and Auditor-General reports the irregularity to the House of Commons, and the House of Commons through its Standing Committee on Public Accounts pronounces judgment on the irregularity. Is there in the Indian system any equally efficient guarantee for the detection and judgment of irregularities?—I think there is. I am not sufficiently acquainted with the English system to say that there is an equivalent check upon irregularities, but there is, I consider, a sufficient check upon irregularities of that sort.

1842. I shall have to ask you some questions later on on the details of audit and the manner in which the

check operates, and I now desire to confine my question on this point simply to the point whether there is a certainty of the fact of the sanction of the Finance Minister not having been obtained being brought to notice?—Of course, you must understand that though you talk of the Financial Department, the Home Department, and the Foreign Department, the Government of India is looked upon as one and indivisible. It is the Government of India in the Financial Department that deals with financial questions, and it is the sanction of the Government of India in the Financial Department to which the Audit Officer looks.

1843. But if the sanction of the Government of India in the Financial Department is required, and if, we will say, the Government of India in the Military Department do not obtain that sanction, that would be an omission which through the agency of the Comptroller and Auditor-General would be put on record?—Not through the agency of the Comptroller and Auditor-General, but through the agency of the audit officers in the first instance; and if that sanction was not obtained, then the Comptroller and Auditor-General would bring it to notice afterwards; but in the first instance it would be brought to notice immediately by the Audit Department concerned.

1844. In using the word Comptroller and Auditor-General I mean the head of the Department, whom I presume we should both agree is eventually the responsible person?—No doubt; but practically the different Audit Departments deal with these questions; the different branches deal with these questions in India.

1845. That is the point of the evidence given by Sir Henry Waterfield and Mr. Jacob, and on which I will ask you a question later on when we deal with audit machinery. What are the checks on the Financial Member of Council which would correspond to the Prime Minister, the Cabinet, and Parliament here?—Well, the check upon the Finance Member of Council would be the Governor-General in Council.

1846. I do not know the machinery sufficiently to understand the distinction. Is there any check upon him by the Viceroy personally?—Of course the Viceroy has got great influence in the Council, and if the Financial Member of Council took one view and the Governor-General or Viceroy took the other view, the opinion of the Governor-General would carry great weight. At the same time, if the Financial Member of Council stood out against the opinion of the Viceroy, the case must come before the Council.

1847. That corresponds rather to the position of the Prime Minister here. As probably you are aware, it very often happens, and must happen, in questions of expenditure, that the Chancellor of the Exchequer and his colleagues differ. Then what I may call a friendly reference is made to the Prime Minister, and it struck me that possibly the Viceroy personally occupied, *mutatis mutandis*, the position of the Prime Minister here?—I think that is close enough.

1848. Then, of course, the Parliamentary action is wanting; but I suppose you would say that behind the Viceroy in Council there still comes an ultimate authority in the Secretary of State?—Oh, of course, and in the remote distance comes Parliament.

1849. Quite so; that is to say, questions may be taken up in Parliament?—May be taken up in Parliament, yes.

1850. Those men conversant with the English system who are old enough to remember that system before the establishment of the Public Accounts Committee, and the passing of those provisions in the Exchequer Audit Act of 1866, which ensure the presentation of the reports of the Comptroller and Accountant-General to Parliament, are well aware that the Comptroller and Auditor-General is the best friend of the Chancellor of the Exchequer. It is true that officer checks irregularity on the part of the Treasury itself; but on the other hand, it is only through that officer that the Chancellor of the Exchequer learns that the regulations laid down for the orderly administration of the finances are duly observed throughout the public service. In your opinion does the Comptroller and Auditor-General in India, in the exercise of his powers, give similar assurances to the Financial Member of Council?—By Comptroller and Auditor-General am I to understand the Audit Department?

1851. Yes?—In that case I think the Financial Member of Council receives a similar assurance.

1852. And does this action of the Audit Department give similar assurance to the highest authority in Indian administration, that the Finance Department has not itself committed an irregularity?—Yes.

1853. For the present moment I am looking upon the Secretary of State as the ultimate authority, and in case there was any irregularity committed, any excess of power exercised by the Government of India in a financial matter, would there be security that the Comptroller and Auditor-General would point out that irregularity, and that that irregularity would come to his notice?—Certainly; the Audit Department check such irregularity now. I may mention that as the Financial Department is from the nature of things rather weak practically in India—I consider that it is practically weak, though theoretically strong—the tendency has always been for the Financial Department to shelter itself as much as possible under the authority of the Secretary of State, and consequently the Financial Department has always been extremely anxious to see that the orders of the Secretary of State in financial matters are carried out—quite as anxious as the Secretary of State has been himself, I should say. Therefore the orders of the Secretary of State have always been, as far as the Financial Department could secure it, fairly well carried out, and on the whole have been thoroughly carried out, but quite recently—that is, within the last seven or eight years, say, an arrangement has been made by which the audit officers will bring to notice the fact that the sanction of the Secretary of State is required in certain cases. Formerly they did not do so, but the Secretary of State was anxious to be assured that his orders were fully carried out, so an arrangement was made that the Audit Officers should exercise this check, but in practice the orders of the Secretary of State have always been carried out at least fairly well, because it was very much to the interest of the Financial Department to see that they were carried out.

1854. And it was also very much to the interest of the Financial Department that any question concerning the relative powers of the Finance Department and other departments should come to the knowledge of the Secretary of State?—Oh, certainly; a weak Department always tries to shelter itself under the strongest authority it can find.

1855. And in that respect, perhaps, as I have described the Comptroller and Auditor-General as the best friend of the Chancellor of the Exchequer, may I put it that the Secretary of State is the best friend of the Finance Minister?—Yes, he is certainly a friend of the Financial Department, there is no doubt about it. It would be better, in my opinion, if he was a stronger friend.

1856. The Military Department is, I presume, the most powerful department in Indian administration and its relations with the Finance Department will best illustrate the working of financial control?—The Military Department is a very strong department in India, and it has the control of a great deal of expenditure, but I do not know that it is the strongest department. The fact is that to understand the Indian system of Government you must realise the very great power of the Viceroy. His power is, from various reasons, which I need not go into, very great, and if the Viceroy supports the Military Department, the Military Department is the strongest; if he supports the Financial Department, the Financial Department is the strongest; and whether great attention is paid to financial considerations or not, depends entirely—or almost entirely—on the Governor-General for the time being. If he is favourable to economy, the Government is economical; if he is inclined to be—not extravagant, but liberal, we will say—the Government is liberal.

1857. If he leans to efficiency?—If he leans to efficiency the Government is liberal.

1858. In comparing, as we naturally do here, the two systems we must never forget the exceptional position occupied by the Viceroy personally in India?—Yes, and a position which I should say has tended to become more powerful as time goes on rather than weaker.

1859. Indeed; in spite of the easy communication with home?—I am now dealing with matters in which he is not overruled from home. I am referring to his authority inside his Council.

1860. But at all events if we are to take the relations of any one Department with the Finance Department, the Military Department would be as good a one to take as any?—Oh, quite as good, and the Military Department, of course, has the special advantage of having, generally speaking, but not always, two votes, the Commander-in-Chief, and the Military Member in Council.

1861. In the Council?—Yes, in Council.

1862. Further, the Military Department is that in which there is the greatest scope for a perfectly legitimate difference of opinion between the Finance Minister and his colleague, is it not?—Of course, there is always room for difference of opinion where questions of expenditure are involved; there is always room for difference of opinion between the officer who wishes to incur the expenditure and the Financial Member who wishes to keep down expenditure as much as possible.

1863. Of course when we speak of differences between the two Departments it does not necessarily mean a condemnation of either?—Oh, no.

1864. There is always room for a perfectly legitimate difference of opinion—

1865. (*Sir Donald Stewart*) But is it not a fact that the Military Member in Council is usually held to be a check on the Commander-in-Chief rather than a supporter?—That is the theory, and, no doubt, in some cases that is the practice, but I have known the opposite to be the case—it depends upon circumstances. I have known cases where the Commander-in-Chief and the Military Member in Council have really supported each other, but the theory is that the Military Member in Council would be the adviser of the Government of India.

1866. That is the point?—That is the theory, certainly.

1867. And my own experience is that it is the practice too—most strongly so?—That may be, but you must recollect that my experience and yours do not come precisely in the same periods of time.

1868. (*Chairman*) Is the Military Member in Council ever a civilian?—Oh, no, never; I do not think he could be, in India, at all.

1869. On the occurrence of a difference of opinion between the two Departments, as I have mentioned, would it be reasonable to infer that the decision of the Government in India would depend in a great degree upon the personal judgment of the Viceroy; that is to say, the Viceroy, if he agreed with the War Minister, would overrule the Finance Department and *vice versa*?—I should say so, as a rule. Of course it would not be the case always, but as a rule the department that secures the support of the Governor-General on big questions would carry the day—not always; sometimes, especially in minor matters, the Governor-General would be content simply to give his vote on one side or the other, and not really exercise his influence or put forth his power.

1870. There is one consideration, I suppose, which we should have to bear in mind, namely, that the Viceroy is not checked so much or so constantly as the Prime Minister is here by the consideration that the effect of his decision may have to take the shape of a vote, and is, therefore, subject to the direct criticism of the House of Commons?—Of course that is a very great safeguard that is wanting in the case of the Government of India.

1871. India is pre-eminently a country of small wars?—Yes.

1872. Each of which costs, or may cost, sufficient to be a disturbing element in finance. Does the practice of Government in deciding on such wars secure the Finance Minister full opportunity of impressing upon the Government the financial consequences of an expedition before the decision is taken?—Well, no, expedition would be undertaken until the question had been referred to the Financial Department, and, I should say, discussed by the whole Council. At the same time, of course, the proceedings that led up to that expedition, or made that expedition necessary, might not have come before the Financial Member in Council; and I do not know that they could in all cases be brought before him.

1873. And, therefore, to that extent the statement that the Finance Minister would have full opportunity of impressing upon the Government the financial considerations must be modified?—It must be qualified in this way; the information might come too late;

an expedition might have become necessary and could not be avoided. When a proposal to have an expedition comes before the Council and the Financial Member the Viceroy has generally made up his mind about it. He is in charge of the Foreign Department—and matters may have got into such a position that the expedition may be unavoidable, or, at any rate, the Viceroy may have made up his mind on the subject, and I have already pointed out how great his influence is.

1874. Of course, in asking this question, I am not alluding in the slightest degree to policy, I am only endeavouring to learn the position of the Finance Minister, and to ascertain whether the security is ample that in all important questions involving expenditure, the Finance Minister has full opportunity of showing the financial effect of the measure?—Before the expedition is undertaken, he certainly has the opportunity, but of course the amount of business that is transacted by the Government of India is enormous, and he cannot see all details of the business of the Foreign Department beforehand, and if he did see them, I do not know that he could do any good, that his judgment would be better than anybody else's.

1875. It would not be a tradition, we will say, of the Viceregal Office that the Viceroy should mention to the Finance Minister that circumstances were arising which might lead to difficulty on the frontier, in order to obtain the Finance Minister's view as to how the expenditure, if the necessity should arise, would be met?—It would depend very much upon the Viceroy for the time being, how soon he would mention it. Some might mention it sooner and some might mention it later; but before the expedition was undertaken, the matter would certainly come before the Council as a whole, so far as the rules on the subject go. I do not think that the Financial Member has any ground for complaint in that respect. It would be impossible for him to see, and it would be quite useless for him to insist upon seeing, all the details of the negotiations with the frontier tribes.

1876. I think you have answered the question, Sir David. I understand that you, as far as you were concerned, were generally satisfied that you knew of proposed expenditure early enough to have an opportunity of stating the financial considerations?—Yes, in any particular expedition.

1877. If the Finance Minister dissents, he can put his dissent on record, can he not?—He can do so—yes.

1878. In that case, as a matter of course, his dissent is forwarded to the Secretary of State?—His dissent would go to the Secretary of State.

1879. But in many cases, although he may have doubts as to the decision of the Government, he may hesitate to put formally on record his dissent. Has he in that case any means of expressing his views in a form which would reach the Secretary of State?—Of course, he may say, as I have done, "While I do not want to record a formal dissent, I wish it mentioned in the despatch to the Secretary of State, that I do not concur in the decision." But in many cases the Financial Member in Council, like every other Member in Council, might oppose a particular decision, but would not consider it necessary to put his dissent on record.

1880. Putting his dissent on record is only a very formal method of protest?—That is a formal matter.

1881. Perhaps I may put it shortly this way: Are you satisfied that the Finance Minister always knows the proposals under discussion in time enough to make fully known his views as to the financial effect of the proposals, and that he has as complete power and opportunity for making known his dissent from or doubt as to the financial matter involved in the Government policy, and assurance that that dissent or doubt will reach the Secretary of State as you could wish?—Well, I think he has got, so far as the rules and regulations regulating the transaction of business go, as full opportunity of knowing what is proposed in the way of expenditure as is desirable. Practically, if the Governor-General chooses to do it, he and one or two Members of Council might settle among themselves what they were going to do, or what the general policy was to be, and the matter would not necessarily come before the Financial Member of Council until it was actually proposed to incur expenditure in connection with some portion of that policy. Theoretically the Financial Member in Council

receives early information of proposed expenditure; practically he might be put aside in that way. It would be possible; I do not say that it would be usual; I am sure it is not desirable; it is a thing that is the discretion of the Viceroy. I do not see how rule could provide for it, or could be made effective.

1882. (*Sir. A. Scoble*) But in that case he could record his dissent?—He could record his dissent when the time came.

1883. And would do so?—Oh, no; he might agree with the proposal when it came before him. All I say is that he might not be personally consulted at the very first—he might or might not.

1884. (*Mr. Buchanan*) But I thought you had said that the Finance Minister was consulted in advance when there was any proposal coming from any department involving immediate or proximate increase of expenditure?—So he would be. Before the expenditure could be incurred he must be consulted.

1885. But then I do not quite understand your last answer, by which I thought you meant that proposals might be brought forward before the Viceroy in Council, involving considerable expenditure, which were quite new to the Finance Minister?—Oh, no, I did not say that. They could not be brought into Council without the Financial Member knowing.

1886. (*Chairman*) There are two points, are there not? First of all, there may be discussions which in their result involve a policy; and in the second place the financial question would only arise when that policy took the shape of a formal decision?—That is the case; when it was necessary to incur expenditure; quite so. That is quite true.

1887. My reason for asking the question as to the power of the Finance Minister making his views known is this—The Viceroy is most powerful. If his judgment leans against the Finance Member of Council he might possibly, though unintentionally, not let the Finance Minister's views have due weight, and in that case the Secretary of State should know those views at first hand. But, I think, from what you have told us, that you have the power of saying: "Express in the despatch that I dissented," and possibly you may think that that is a sufficient safeguard?—No, I do not think myself that that is quite a sufficient safeguard in that respect. The Financial Member of Council might or might not formally dissent as regards a particular proposal. He might be of opinion that things looked rather threatening financially, and yet he could not easily indicate his views to the Secretary of State. The Financial Member of Council is very much in the dark as regards the policy of the Secretary of State and the India Office; he has got nothing but the formal despatches before him. There is a want of touch between the authorities in England and the Financial Member of Council. The Viceroy, of course, corresponds confidentially with the authorities in this country, and I cannot say that I would recommend that the Financial Member of Council should correspond with the Secretary of State, as it were, getting behind the Viceroy. I think it is very necessary to maintain the authority of the Viceroy, but there is that difficulty; there is a want of close touch between the Financial Department in India and the controlling financial authorities in this country.

1888. (*Sir James Peile*) But there is a great deal of demi-official correspondence between the Finance Member in India and the Secretary in the Finance Department in the India Office?—There is correspondence between the Secretary in the Financial Department in India and the Financial Secretary in the India Office, and very frequent there is correspondence between the Financial Member of Council and the Financial Secretary in the India Office; but the Secretary in the India Office is not the controlling authority.

1889. (*Chairman*.) Would you consider that that freedom of unofficial correspondence is sufficient to secure the communication of the doubts or hesitations of the Finance Minister and his reasons for those doubts to the Secretary of State?—Certainly not.

1890. And therefore so far, you say, in this most important question of finance in India, there is a certain element of weakness, namely, there is no absolute security that the reasons which make the Finance Minister dissent or doubt will reach the Secretary of State?—There is no easy and ready method by which they could reach the Secretary of State.

1891. At the same time there is great difficulty that there should be no working round the authority of the chief responsible authority, namely, the Viceroy?—That, I think, is essential in India, that the authority of the Viceroy should be maintained.

1892. If sufficiently important results are at stake, has the Finance Minister, or even the Viceroy and the Finance Minister together a power, which you think sufficient, of suspending the execution of a decision of the Council until the judgment of the Secretary of State is obtained?—There is a rule to that effect in existence: but if the Viceroy and the Financial Member agree there is, owing to the great authority that the Viceroy possesses in the Council, nothing more required. There is a rule which enables the Viceroy and Financial Member of Council to suspend the execution of an order involving expenditure until the opinion of the Secretary of State is taken. That rule was introduced some years ago—about seven or eight years ago, I should think. It was invented in this country; it is not a rule which anybody who had had experience of the working of the Indian Council would invent or devise; it seems an excellent rule; it seems a very valuable rule, but in practice it is not worth anything. I was consulted about it before it was introduced or about the time it was introduced—I happened to be in this country—and I expressed the opinion then that it would never be used because if the Financial Member in Council and the Viceroy are in agreement they have got quite sufficient power; the influence of the Viceroy is quite sufficient. If they are not in agreement the rule never operates; and therefore, though it looks an excellent and valuable rule, in practice it is not of much value, and in practice it has never to my knowledge been used, and it is quite possible that it never will be used and put into force.

1893. May I ask you, as a matter of fact, can the Council vote overrule the Governor-General?—They can.

1894-5. The influence of the Viceroy is so great that practically if he takes a strong line in concert, we will say, with the Finance Minister, the other members of Council would hesitate to overrule him?—Oh, very much hesitate; and they would know that it was very improbable that the Secretary of State would support them.

1896. There might be cases in which that rule would not be a dead letter?—There might be, certainly, but in practice it is not of much value, and it never has been used to my knowledge.

1897. (*Sir James Peile.*) Would that apply to any other Department—if the Viceroy and the Home Department agreed, would they carry the question at once?—Well, they would be very likely to. A good deal would depend whether the Viceroy took such an interest in the matter that he really put forth his influence. Owing to the existence of the Provincial System, the Home Department does not, now, control a large amount of expenditure.

1898. To the same extent?—No, I do not think they would to the same extent as the Financial Department, because I think if the Financial Department and the Viceroy went together they would be pretty certain to have the Secretary of State behind them.

1899. Then the Finance Department is stronger than the Home Department?—As a rule I should say it would be; it would depend very much—at least to some extent—upon the officers filling the posts for the time being, but as a rule the Financial Department is stronger than the Home Department, and they do not come much into conflict on questions of expenditure, because the Provincial Expenditure is now in the hands of the Provincial Governments.

1900. (*Chairman.*) If the Viceroy found himself in a minority I gather that this rule would allow him to appeal?—Yes.

1901. (*Sir Andrew Scoble.*) Or he may overrule his council?—He may in certain cases; that is a power which is used very seldom.

1902. But still he has the power?—I think there is some limitation to it.

1903. It must be a question of public danger?—Yes, he has the power of overruling in certain cases and it is very necessary that he should have it.

1904. (*Chairman.*) And, I suppose, that power is contained in the Act of Parliament?—It is contained in the Act of Parliament, but it is not a power that is given in every case.

1905. He must judge if the State is in danger?—I think so; it is something of that sort. You will find it in the Act of Parliament. He has the power, and I look upon it that it is essential that the Viceroy should have that power in the last resource.

1906. (*Sir Donald Stewart.*) But he exercises that power in very ordinary cases?—Well, you can look at the words in the Act of Parliament. I believe there has been a question whether it was rightly exercised in certain instances, or not.

1907. It is within my own experience that he has exercised it?—It is a mere question of the wording of the Act of Parliament; the Act of Parliament would give you better evidence on that point than I can.

1908. Is it in the Government of India Act?—I think so; it is in one of the Acts of Parliament. Perhaps it would be better to see what it is; it is a well-known provision.

1909. (*Chairman.*) Can you refer us to the Act of Parliament and the section which defines that authority, and then perhaps when we have got it you would just read it as your answer?—The Act is 33 & 34 Vict. c. 3. s. 5. It runs as follows:—“Whenever
“any measure shall be proposed before the Governor-General of India in Council whereby the safety, tranquillity, or interests of the British possessions in India, or any part thereof, are or may be, in the judgment of the said Governor-General, essentially affected, and he shall be of opinion either that the measure proposed ought to be adopted and carried into execution, or that it ought to be suspended or rejected, and the majority in Council then present shall dissent from such opinion, the Governor-General may on his own authority and responsibility, suspend or reject the measure in part or in whole, or adopt and carry it into execution; but in every such case any two members of the dissentient majority may require that the said suspension, rejection, or adoption, as well as the fact of their dissent shall be notified to the Secretary of State for India, and such notification shall be accompanied by the copies of the minutes (if any) which the members of the Council shall have recorded on the subject.”

1910. (*Mr. Buchanan.*) The Viceroy, when he is in a minority has that power of overruling the action of the Council under this statute; has he any other special powers?—I do not think he has. Of course, the Viceroy regulates the business very much and he might bring a question up, and if he found the majority was against him he might let it stand over for a little—something of that sort; he regulates the transaction of business.

1911. (*Chairman.*) I think Mr. Buchanan's question relates to the power of suspending as well as overruling; because we learnt from Sir Henry Waterfield and Mr. Jacob that there was a rule that the Viceroy and the Finance Minister together could suspend the decision of the Council until the authority of the Secretary of State had been obtained?—Yes; that is regarding expenditure; that is the provision I have already alluded to.

1912. (*Mr. Buchanan.*) There is no similar power resting in the Viceroy alone; I am only asking for information?—I am not aware of any; but I suppose, the power of overruling involves the power of suspending.

1913. (*Sir Donald Stewart.*) No business can be brought before the Council until the sanction of the Viceroy has been obtained?—No, but practically if any member of the Council wishes he can bring it up.

1914. He has to get the Viceroy's sanction?—That is the ordinary course of business; the question comes before Council with the Viceroy's sanction. I do not know if he could refuse his sanction; at any rate, he does not, or ought not. It seem to me to be a rule for securing the orderly transaction of business.

1915. (*Mr. Buchanan.*) As a matter of your experience the Viceroy is very seldom in a minority in Council?—He might be in a minority, certainly.

1916. But only on unimportant matters?—I cannot say that. A question might arise in which the majority of the Council might be against him on a very important matter. Questions of that sort have arisen.

1917. And has the opinion of the Council eventually been carried out by the Government of India?—In this connexion there arises the question of home policy. If the Viceroy were overruled by the majority of his

Council in a very important matter, it would probably be a matter in regard to which he had the support of the Home Government, and in that case the decision of the Home Government would be with the Viceroy.

1918. Within your experience do you know of any case of any importance in which action has been taken by the Government of India, where that action has been opposed by the Viceroy himself in Council?

(*Chairman.*) I think we must confine that question to financial procedure must we not?

1919. (*Mr. Buchanan.*) Yes, certainly. I was only asking for information. I am very ignorant of the way in which they conduct business?—Where important action was taken by the Council in opposition to the Viceroy's opinion?

1920. Yes. Where the Viceroy has been in a minority in Council, and yet action has been taken by the Government of India in the direction indicated by the majority of the Council?—In very important questions?

1921. In an important question?—I cannot recollect any at this moment; there may be some.

1922. (*Chairman.*) Have you seen the list of dissents by the Finance Member in Council which Sir Henry Waterfield has given in?—I have seen the list of dissents given by Sir Henry Waterfield.

1923. Do you consider that fairly complete, and have you any remarks to offer upon it?—In what sense complete?

1924. Well, we noticed that there was a considerable gap in the dates, if I remember aright, and I think we understood from Sir Henry Waterfield that he had looked through the records, but he would not say that it was a complete record?—I think there was one dissent that I made which is not mentioned there, one or two. I dissented in connexion with the question of the division of territories between the Punjab Government and the Quetta Agency in the Gomul Pass—I and another member of Council—I do not think that dissent is alluded to there. And there was a proposal that India should pay a subsidy towards the cost of the telegraph line from the Mauritius to Zanzibar, and I did not think it was a proper charge on the revenues of India and I dissented. I do not think that that is mentioned in the list of Sir Henry Waterfield. I do not know if I wrote a formal dissent on that occasion, or whether I merely had it written in the despatch that I did not agree.

1925. Are there any further points in regard to the powers of control of the Finance Minister which you would be so good as to bring to the notice of the Commission, and does any suggestion occur to you for supplying defects if there are any, in that controlling power?—I think that, theoretically, the position is sufficient.

1926. Then I think we have learned from the answers in detail where, in your opinion, there is a weakness in practice?—Yes, in practice. I do not think there is any in the rules and regulations. I think they are quite sufficient.

1927. I gather as the result of what you have been so good as to tell us, that the point at which you think there is a weakness is this:—There is not a sufficient security that the reasons which led the Finance Minister to hesitate, or to doubt as to the measures that may be resolved upon by the Government of India, are made known to the Secretary of State?—I should not say that that was the chief weakness. But there is a weakness there, certainly.

1928. May I ask what you consider the chief weakness?—To understand the chief weakness of the Indian financial system you have got to consider what the financial position in India is. We have not got there a revenue which is very steady. It grows, but it does not grow regularly, year by year, as it does in this country. We are subject to great fluctuations. There is the opium revenue, and it may go up or down a million or two. Then railways resting on the financial responsibility of the Government of India, they can make a very great difference in the revenue and there are considerable fluctuations in the earnings. We are subject to wars, petty wars, very subject, and we are liable to famine, and over and above all there is the exchange question which has overshadowed everything; that is to say, there are great fluctuations in the Indian revenue, and India is a continent really, instead of

one country. It is very difficult for any body who has not made a special study of the question to know the whole financial position and as a consequence of the peculiar position of India we have periods of great apparent prosperity financially, and of real prosperity financially, and then we have periods of great depression. The Governor-General's Council is composed of a number of officials, and I think I may fairly say that the majority of them have never given very much attention to the Indian financial position as a whole. They have been occupied with their own particular departments. A good many of them are not acquainted with India at all beforehand. I think of the seven Members of Council, including the Viceroy, are at present only three who really belong to the Indian Service. The members of Council hold office for five years. Their interests lie in the direction of the efficiency of the particular services that they manage, and the tendency, therefore, is towards expenditure. We have periods of prosperity and I think that as the Council is constituted they overlook the fact that we are almost certain to have financial non-prosperity afterwards, and, therefore, there is a tendency to go too fast when we are well off: that leads to a check, what you may call a financial crisis, afterwards, and I believe that it would be better for the country, and we should in the long run make quite as much progress if we went a little more slowly at times and steadily and regularly. Now, within my own knowledge, we had a financial crisis in India, about Lord Mayo's time—I suppose, about 1870. We had another in Lord Northbrook's time. Then we had one or two in Lord Lytton's time. We had none in Lord Ripon's time.

1929. You had none?—We had none; we were fortunate in his time; Major Baring, now Lord Cromer, was Financial Member of Council then. We had one in Lord Dufferin's time, and then we had the recent one which appears to be passing away. Now I think in all these cases, in later years at any rate, the Financial Department saw when the difficulty was approaching, saw before the others did. I think that more attention ought continuously to be paid to the peculiar conditions of Indian finance, and that, therefore, we ought to go more slowly when there is apparent prosperity and try and avoid these sudden checks which are very mischievous. In point of fact, taxation has been largely increased in India, and though I do not think we have reached the possible limit of taxation—I am sure you could raise a great deal more money—I am quite certain that there is no big tax left now which is not open either to great objections or which would not excite great discontent. I think we have put on pretty well all the taxation that could be put on without its becoming a very serious matter. The view I wish to put forward is this: it is not the machinery, that is the mere formal machinery, that requires improvement, but I think there ought generally to be more consideration given and more attention paid by persons in authority to the importance of the financial question in India, and to the fact that great financial—apparent financial—prosperity is generally followed in a few years by the reverse.

1930. And if I may draw the conclusion which I think your answer points to, it is a criticism which must be applied almost everywhere—that there are too few people entrusted with government who make a study of finance?—I am not prepared to say anything so general a proposition; but, in point of fact, I think it would be better for India, better all round, if more attention was given to the financial question, and if we went more slowly in periods of great apparent financial prosperity.

1931. For instance, would you like a five-year Budget instead of a yearly Budget, in order to obtain a greater stability?—I do not think a five-year Budget would work.

1932. Practically, it is an impossibility?—An impossibility.

1933. But what I mean to imply by that is, would you like a more permanent arrangement made which would not be subject, except in emergency, to yearly review?—I am afraid it is not possible. Of course, while I say I would like more attention paid to financial considerations, I must admit that there is an infinite possibility of finding objects for the expenditure of money in India, to which there is no objection in themselves; that is to say, that if you had double the revenue you could spend it on the country without being accused of wasting money.

1934. I quite understand that in a country, which you have described as a continent subject to these great fluctuations in finances, the difficulties which the Finance Minister has to encounter must be far greater than the Finance Minister has to encounter here, and I can quite understand the feeling of anxiety that he must have that the controlling powers should always bear in mind the dangers that underlie the financial question. Those conversant with the English system cannot but be aware of the powerful factor Parliament is in our control system; I do not mean that it is always necessarily for good; but, whether for good or for bad, ministers and parties have always before their eyes the fact that their action must very shortly be unsparringly discussed by the Opposition party in Parliament, and that the opportunity for such discussion must occur when the votes are taken. That prospect of open discussion and criticism is not always upon the Indian Government. Parliament may, it is true, take up an Indian question, but its direct, and immediate sanction for the Acts of the Indian Government, except in very special cases, is not required. Ought not this distinction to be borne in mind, and ought not even a fuller power to be reserved to the Indian Finance Minister to insist on complete discussion of the financial effect of measures and of the financial effects of political action, before such measures are adopted or action taken, than is perhaps necessary here? and ought he not to have every opportunity of making his opinions or doubts on financial matters or results known to the Secretary of State, who in ordinary course is the ultimate judge of Indian policy?—It would be very difficult to give the Indian Financial Member of Council more formal or theoretical power than he has got at present. It would be desirable that the Financial Department should be strengthened, that some arrangement should be made to ensure that financial considerations shall be borne more in mind by the Indian Government as a whole, if it be possible. Of course you cannot have a perfect government anywhere, and as to the constitution of the Government of India I am not prepared to propose changes which would have the effect of securing better financial control.

1935. (*Sir Andrew Scoble*) Has not the Finance Member of Council the amplest opportunities of bringing his views before his colleagues in Council at any time he likes?—He has.

1936. (*Chairman*.) Is not this consideration of the more weight since the Indian Government acknowledges the gravity of financial questions in India, the difficulty and danger attending new or increased taxation in that country, and the consequence that for the safety of the empire policy should, as far as possible, be rather the handmaid of finance than the reverse?—Of course it comes to this, that the financial question in India is a very important one and a very difficult one and the gravity of the question has increased in recent years.

1937. You were speaking just now of Members of Council holding office for a limited period. The ordinary period for the Finance Minister to hold that post is five years?—Five years, yes.

1938. Is there any rule to that effect?—There is a rule, but I do not think it is in the Act of Parliament. I think his successor is appointed after five years.

1939. But is there anything to prevent his re-appointment?—Oh, nothing, or his continuation for six, seven, or eight years if the Home Government think it desirable, nothing.

1940. But when he is appointed he knows that his term will come to an end in five years unless it is renewed?—Oh, certainly.

1941. Have you ever known any Finance Minister go beyond the five years?—I am not quite certain. It was offered to me, to stay for more than five years if I wished, but I did not.

1942. Possibly five years of the responsibility is enough?—Well, I should think so. It was enough for me.

1943-4. I will now pass to the question of estimates. We have learnt from previous witnesses the manner in which the estimates are prepared and submitted, and it is not therefore necessary for me to trouble you with questions of detail; but may I ask whether you were satisfied with the form in which they were presented to you?—Yes, I was satisfied. Of course, there are certain difficulties in India which we have to contend against; we cannot get rid of them. That is to say, it

is a very big country; the estimates have sometimes to come from a very great distance. We have some eight or nine local governments and some smaller provinces in different parts of India; and it is an immense mass of estimates that come to be dealt with in a very short time. These difficulties are inherent in the nature of the case, and we must accept them.

1945. Are these estimates presented to you in time to allow you to duly consider and, if necessary, amend the estimates before the close of the financial year?—I think they came in as early as is practicable—I do not think you can improve the matter. Of course, if you had more time you might do a little more, but practically you have as much time as the nature of the case permits.

1946. You would require, I presume, more time than you require here, because the estimates are, in the first instance, prepared by the provincial governments, and correspondence in India must to a great degree replace personal communications?—Well, you see, so far as the estimates for provincial and local expenditure are concerned, I really had little or nothing to do; the Financial Department of the Government of India had little or nothing to do. You had just got to see that they kept within their limits. You do not interfere in details; it is not desirable that you should interfere in details. The provincial system was invented in order that you might escape the necessity of interfering in details.

1947. There is a considerable power, we observe, reserved to the Central Government in the matter of provincial finance. Do I gather from your answer that you were anxious not to exercise those powers unless you had special reason to do so?—I am a very strong supporter of the provincial system. I should like to see it, if it were possible, developed still further. I do not think it is possible at present, but I think it might be developed further in future; and personally I interfered as little as possible with the local governments.

1948. But still the estimates for which the Central Government are more immediately responsible are originally prepared in the provinces, are they not?—Yes. They are checked and compiled by the Accountant-General in each province. He is under the Financial Department and thoroughly acquainted with financial rules; and therefore the estimates were got into pretty good shape in the provinces before they came to us.

1949. And therefore, so far as the Finance Minister is concerned, they come before him in such a complete shape that a comparatively short time suffices for his examination of them?—That would be so. Of course the examination—the details of it—is done very largely by the Financial Secretary, who passes on his examination to the Financial Member in Council.

1950. I am looking at the Financial Secretary in such cases only as the representative of the Financial Member in Council?—As the representative, just so.

1951. Had you the power in the last resort to amend an estimate if you thought it were not justified, that is to say, was the decision of the Finance Minister final in ordinary cases?—It would be. It is so always, subject, of course, to appeal.

1952. In ordinary cases if you chose to strike out an item, you could do so?—Certainly; it cannot be included if the Financial Department objected. But the Department affected might show cause against the striking out of the item. If the Financial Member did not agree, they might appeal to Council.

1953. Where large questions or considerations of policy are concerned, the decision would rest with the Governor-General in Council?—And even in small matters.

1954. Before the estimates were prepared, did any conferences upon what I may call the programme of the year take place, in which you had the opportunity of explaining the financial prospects, and of making clear to the Government the amount available for extraordinary expenditure, say, for military purposes, for public works or other expenditure for the improvement of administration or benefit of the people?—I do not know that any formal conferences necessarily take place, but of course the question is considered beforehand—well, say, take the Public Works Department, they would send me in beforehand, before the estimates were finally prepared, a schedule of all the demands of the various authorities, and what they recommended, and they would go through them and say, "We agreed to certain items, and did not agree to

"certain others, or could not afford them," and the estimates would be prepared in accordance with the decision come to.

1955. That is exactly what I mean. You, the Finance Minister, often discuss with the Department the programme of expenditure very often before the estimates are actually prepared?—Oh, yes, as regards all important and new items certainly; and the same would be the case in regard to the Military Department. Certainly they would say, "We want certain things; here is what we want." They would say that beforehand.

1956. Such previous proceedings would greatly facilitate the preparation of the estimates and lessen difficulty?—Yes, and of course those decisions were not final. When the estimates were put together, and we saw how things turned out, then the final decision would be taken and any matters that were still in dispute would go before the Council; and in any case when the estimates and accounts were completed they would go before Council to show what the financial position was.

1957. You are aware that in England the management of the revenue is highly centralized. The two great Boards of Customs and Inland Revenue are resident in London. All questions of importance affecting the revenue come to them and they and their expert officers are intimately acquainted with all the details of revenue administration?—Yes. I am aware of that.

1958. The Chairmen of the Boards are in constant personal communication with the Chancellor of the Exchequer, and form, as it were, his standing council on revenue questions; who would in India represent such advisers to yourself?—In India the Excise and the Customs and other branches of the Revenue are managed by the Local Governments and their officers; but in so far as questions connected with these branches of the revenue have to come to the Government of India they would come to the Financial Department, and there is a branch of the office of the Financial Department which deals with customs, one branch which deals with all questions connected with customs, and another which deals with all questions connected with excise; and if I wanted any information regarding Customs I would apply first of all, to that branch of the department which deals with Customs. If that branch could not furnish the information, we should have to refer to the Local Government.

1959. There are no officers outside the Finance Department at Calcutta that would at all correspond with the Chairmen of these Boards?—There is not. There is no officer who corresponds to the chairman of the Inland Revenue Board or of the Board of Customs.

1960. Here there is free appeal from the decisions of the Revenue Boards to the Treasury, and the Chairmen of the Boards themselves are anxious to obtain the guidance of their Chief, the Chancellor of the Exchequer, who ultimately must explain and defend their action in Parliament. There is a branch of the Treasury which deals with Revenue questions, and which has a general experience on them; but the Treasury officers have not and cannot have an intimate acquaintance with all the details of Revenue law, nor the knowledge of the operation of the law, or of its defects. Therefore, ultimately the Chancellor of the Exchequer must, in the main, depend for his information on the heads of the two great Revenue Boards. Would not the same be the case in India? The officers of the Finance Department would not have that intimate acquaintance with Revenue administration in its details which would be equivalent to that possessed by the heads of the Revenue Departments here?—They would not.

1961-2. We have gathered from the evidence given that in India the Finance Minister must rely on local officers at a distance for such information as the Chancellor of the Exchequer obtains from the Revenue Departments here?—Yes, in some cases he must.

1963. Does not that make it difficult for the Finance Minister in India to get readily and constantly that information as to the operations of taxation which the Chancellor of the Exchequer gets here from the Chairmen of the Boards?—Of course, there is a difficulty there. Certainly it is not so easy for the Financial Member of Council to get immediate information as it would be in this country on certain questions connected with Customs and Excise; that is so.

1964. And may I ask, in pursuance of that question, whether you have ever felt the want of such expert officers at hand when you have been considering ques-

tions of taxation?—The question whether we shall manage a department for all India by a special officer at the headquarters of the Government, or whether we shall leave the business to the Local Governments, is one that has come before the Government of India frequently. The Post Office is managed by one officer—at least, the head of that Department is an officer who moves with the Government of India and is the Director-General of the Post Office of India. The Telegraph Department is managed in the same way. And there have been questions whether this system should or should not be extended to Salt. But you could not, I think, extend that system to many branches of the revenue. For instance, Excise; I do not think you could do it. The country is too big; the systems in force in the various Provinces differ very much. Consider the case of an officer at headquarters, managing, say, customs. He will be eight months of the year with the Government of India at Simla; I daresay the nearest port would be 1,500 miles off—at any rate a very long distance. It could not be done. You must leave it to the Local Governments. It is the same or similar reasons which have given rise to the establishment of the provincial system; that is to say, you could not attempt to govern in detail all Europe from one capital; therefore, though, on certain questions, it would be a convenience to the Financial Member of Council to have a man at headquarters who could give him information as regards many branches of the revenue, it would be a great mistake to have such an officer because he could not manage the details of the business throughout India.

1965. I think the Commission will quite understand the force of the reasons which you give for the present system, and I am putting these questions to you only for the purpose of obtaining your opinion as to these inevitable drawbacks?—Inevitable drawbacks—just so.

1966 Your opinion as to the inevitable drawbacks in the present system, though the present system in itself is probably that which alone is suited to India?—It might be a question whether or not the centralised system could not be adopted as regards the Salt revenue. On the whole, I think it is desirable not to interfere, as regards Excise we certainly could not.

1967. (*Sir Andrew Scoble.*) Or Customs?—Customs, I think it ought not to be; but the difficulties are not so serious. In the matter of Excise they are insuperable.

1968. (*Chairman.*) In regard to Customs I should have thought it might be possible?—Oh, it is possible. But you see we have got a Collector of Customs at all the large ports, and officers who do Customs work at the small ports and possibly hold other posts under the Local Government. Well, it would not be convenient that an appeal should lie from the Collector of Customs to the officer at headquarters of the Government of India, who might be 2,000 miles off. There is a Board of Revenue at Calcutta who would hear appeals from the Collector of Customs at that port. Of course, it must be admitted there is not the same uniformity, and the Government of India has not immediately at its disposal the same amount of information as if the whole of the Customs were managed by one officer attached to the Government, as at home.

1969. I suppose there is a further disadvantage than that. I suppose you would consider that the taxpayer ought to have a very free right of appeal against local decisions?—Yes, there must be somebody to whom they can appeal against the Collector of Customs.

1970. And in that respect the Finance Minister is somewhat at a difficulty, though perhaps inevitably so, in having to decide on such a case without having the expert officers at hand?—But the appeal does not lie with the Financial Member in the first instance. For instance, if a merchant in Calcutta appealed against a decision of the Collector of Customs, he would appeal to the Board of Revenue on the spot, and all the pros and cons of the case would be put down on paper there. Then it would come to the Local Government, and then it would come to the Government of India, if it was carried so far; and all the facts would be placed on record, and all the questions of law explained and considered before the case got to the Government of India.

1971. It is an inconvenience, but not a very grave inconvenience—that is what I gather?—Yes, it is an inconvenience, but not a very great inconvenience, and to remedy it by appointing a separate officer would give rise to still greater inconvenience.

1972. Just to illustrate my meaning, I am going to ask you a question on a subject, the merits of which lie entirely outside the scope of this Commission. Take such a case as we have heard a great deal of lately, the imposition of a duty of Excise countervailing the Customs duty on cotton goods; how would the Indian Finance Minister obtain the information necessary, remembering that time may be of importance in coming to a decision on such a question?—Well, I do not see how he could obtain the information except by reference to the Local Governments. Of course he could telegraph to them all, and would largely use the telegraph in cases such as that.

1973. There, again, we come to this, that the circumstances of India make necessary a proceeding that has considerable inconvenience in itself?—That is so. You see, dealing with England, you could, assuming that it was proposed to introduce a new tax into England, decide much more quickly what were the objections to it, than you could if it were proposed to introduce a tax applicable to all Europe.

1974. The difference between the two countries is obvious?—Yes.

1975. In the French system of finance there is a staff of officers called Inspectors-General of Finance. I have made acquaintance with some of these officers who have been sent over here, and most able officers they seemed to be. If I have understood from them the nature of their duties, they were to a certain degree the eyes of the Finance Minister. By means of them, he studied financial questions on the spot. He despatched them *legati a latere* to examine and report on matters of finance requiring his personal attention. Have you any officers at all similar to them in India, or do you think that such officers would be of value to the Finance Minister, considering the immense field over which his financial work extends?—Of course, if there was any special reason for sending an officer to inquire into any subject the Finance Member could find an officer—he could get one and send him; but he has no staff which is occupied in any general duties of that sort.

1976. But without your having a staff detailed for that purpose, is your method of proceeding in India something similar? In cases in which you had either to take an officer away from his work or otherwise might have to go yourself to the spot, did you depute persons in whom you had confidence to make the inquiries for you?—Sometimes you do that yourself: if necessary, you would do it.

1977. But it is not a regular part of the machinery of the Financial Government?—No, it is not. But, of course, you must be careful not to interfere, unduly, nor to send one of your officers to interfere unduly with Local Governments. You generally have to make the inquiry from them. You would have to be careful about that.

1978. Supposing the Finance Minister himself went down to make an inquiry, as a matter of fact he would himself make it, through the Local Government; and therefore much more would his officers?—As a rule, he would; you have to be very careful.

1979. Would you tell us who are the chief officers in the provinces responsible for the administration of the revenue laws? For instance, in each maritime province is there a Head of Customs?—There would be a Collector of Customs at each port.

1980. But at the Central Headquarters?—The Central Authority would not be the same in each province. Well, it would differ. In Madras there is a Board of Revenue; in Calcutta there is a Board of Revenue. They would take up these questions. In Bombay, I suppose, the Commissioner of Customs. There is no Board of Revenue there.

1981. The Board of Revenue in Madras and Calcutta would collect salt and excise as well as customs?—Yes, they do.

1982. Now, stamps?—That would be the Board of Revenue.

1983. Then in most of the Governments, there is a Board with the head of whom you would communicate as Finance Minister?—Well, we would communicate with him officially through the Local Government?—They are under the Local Government.

1984. You would not communicate with the head of that Board directly?—No; we would not write to the Board direct; you might write privately or semi-

officially; but you would certainly not write officially to him.

1985. Allowing for the difficulties inseparable from the administration of the revenue law over such an immense area, were you satisfied with the organisation of the Revenue Departments and the manner in which you could obtain the information you required?—Well, if you ask me if the departments are perfect, I am afraid that I could not say that they are; but if you ask me if they are fairly good, as good as circumstances would permit, I should say on the whole they are. And they are being improved every year. In a great country like that you cannot turn out establishments perfect all at once. It is a matter of growth. I think that on the whole the revenue establishments are fairly good—and they are improving.

1986. We come now to what I may call a speciality of the Indian Government, namely, the District Treasuries?—Yes.

1987. Were you satisfied with the arrangements under which the receipts are paid into and held at the District Treasuries, which then became the bankers of the Government?—I think so. I have no fault to find with them.

1988. Do you think that banks are sufficiently used at places where there are banking establishments?—There is very little to be done in that direction. At most places where you could use a bank there is a branch of the Bank of Bengal, and that is used; or Madras or Bombay, as the case may be. There is very little to be done in that direction.

1989. Then you do not go outside those three banks?—I do not think we do lodge with any other bank. There was a proposal to lodge the Treasury balance at Aden with a bank there. But I think the negotiations broke down; I do not know why; I cannot recollect. But you see at most of those places where we have got treasuries there are no banks.

1990. Of course, where there are no banks you must have a strong box?—You must have. The money is perfectly safe. It is under a police guard. There is a regular treasurer and a police guard.

1991. Sir Henry Waterfield and Mr. Jacob told us that there are practically no losses by malversation—in the custody of the Treasury chests, I mean?—If you take the amount of money that is handled, the losses are quite insignificant; and about ten or thirteen years ago I think some improvements were made.

1992. And at present you think that the security taken for the proper guardianship of these district treasuries are satisfactory?—Oh, yes; satisfactory. Of course there are cases where money is made away with; but the amount of money made away with in proportion to the amount of money handled is quite trifling.

1993. Of course no provision in the world can prevent an officer who has the handling of money going wrong; the only real guard is immediate and quick detection. Would it be your opinion that the District Treasury affords the most efficient and most economical means for providing over the immense area of India funds ready on the spot for the needs of the public service?—I think so. There is not the banking organisation that would enable you to make use of banks. It does not exist.

1994. Do you know whether any calculation has ever been made of what the cost of the District Treasury system is, so as to enable us to form some idea of the per-centage which that method of making payments involves?—No; I do not think the calculation has ever been made.

1995. The District Treasury Officers have other functions to perform, have they not?—They have, but the cost is not very great. The officers are not highly paid with the exception of the Treasury Officer. There is the Treasurer; he keeps the cash—at least, he keeps the key of one of the locks. He is generally a native banker. He gets a small salary. A native doing work of that class would work for a small salary, and in many cases he likes the position of being Government Treasurer.

1996. Then to open the chest it requires two officers to be present?—Yes; two officers must be present to open the Treasury. And the native Treasurer gives large security always.

1997. The treasurer gives security?—He gives large security.

1998. I suppose orders on the District Treasury always carry two signatures, do they not?—Orders for actual payment of money.

1999. Orders for actual payment of money?—Oh, yes. The Accountant would examine the order to begin with, and it would be signed by the Treasury Officer afterwards.

2000. I ask the question because I think here we hold the two signatures to be a very considerable safeguard?—Oh, we keep the Account Department and the Treasury Department quite separate. I do not think you could improve the system there.

2001. I suppose that the larger number of these numerous district treasuries have really comparatively small amounts to deal with? District treasuries in remote districts have not either very large receipts or very large amounts of payment to make?—No; nothing very large, not what you would call large in the City of London.

2002. And the bulk of the receipts and payments take place, I suppose, at the great centres?—Oh, I would not say that. The land revenue, for instance, is all paid into the district treasuries. The opium revenue would be paid in the great cities—the customs revenue, the land revenue, and a great deal of the excise, a good deal of the salt—not all, but a good deal of it.

2003. Is there much movement of coin from one-district to another?—A considerable movement.

2004. In actual cash?—In actual cash; yes.

2005. I suppose banks in India are confined to the centres of commerce, and that they have few transactions and few agencies in the country?—They have in some of the large towns in the interior, Allahabad, Delhi, Lucknow, Agra, and places of that sort.

2006. Almost all these are great centres?—The great centres, certainly.

2007. They do not push agencies into the smaller places?—Oh, no; it would not pay them to.

2008. Therefore the cost of Government banking business or movement of funds cannot be compared with the cost of ordinary banking in India? Of course, if the banks are confined to great centres, they are very few?—Oh, no; it could not be compared at all. Of course, the only banks in our sense, that is, the European banks, are in large centres; yet in the smaller towns, and down even to the large villages, there would be a man who does a sort of banking business.

2009. A native banker?—A native banker. I do not know that he receives much in the way of deposits.

2010. But he would cash bills?—He cashes bills called "hoondees," issues them, and lends money. There are native bankers who have got very large agencies all over the country.

2011. Now, are they used at all; instead of sending coin from place to place, do you make use of them at all?—Oh, whenever we can we make use of bills; we would sell drafts on a treasury, when it wanted us to do so.

2012. At Calcutta, I gather from what you have said, you employ the Bank of Bengal; do you employ it to anything like the extent that we employ the Bank of England?—Well, I do not know the extent to which you employ the Bank of England; but we do employ it largely.

2013. The Bank of England pays all the debt charge. It keeps almost every Government balance. I say almost, because there are one or two exceptions it conducts practically all our payments for us. It has got very few branches outside, but where there are branches it usually conducts our business?—Oh, we employ the Bank of Bengal largely. It holds the large Government balance, and it manages the debt—the transactions connected with the debt; it pays the interest.

2014. Now, temporary advances; do you go to the Bank of Bengal for them?—We do not have any temporary advances; we work by our own balance.

2015. You work by a system of large balances?—I am not sure that we may not have got an advance once or twice; but, as a rule, we work by our own balance; and it is rather the other way—that they come to us for assistance rather than that we go to them. We must work in that way.

2016. Is not the Bank of Bengal big enough to give adequate assistance at times to the Government?—Oh, at times undoubtedly the Bank of Bengal could give assistance if we wanted it, but it is not considered safe to rely upon getting assistance. You see in India there is not that great supply of loanable capital that there is in this country, in London; nor can you get loanable capital from outside very readily, and transactions are much more carried out there by cash than by credit, so that an increase of business or demand not very great in itself leads to a scarcity of cash. Therefore we cannot depend upon the market; we must keep a balance.

2017. And, therefore, in your view, you are driven to working by means of large balances sufficient to meet your wants?—I think so. I would not recommend any change in the system—I would not. Of course, I see the advantage of working with a small balance. It is a saving of interest.

2018. Here, where there is large loanable capital kept always at the disposal of the banks, we work on a system of small balances?—Oh, that is the difference.

2019. We systematically work on the principle that at the beginning of the quarter we are borrowers from the bank in order to meet the debt charge?—Yes.

2020. That, practically, does not apply to you in any way?—No, practically, we do not borrow.

2021. May I ask about what sum represents your standing balance?—Well, it varies very much.

2022. It varies with the time of the year, I suppose?—Yes.

2023. But take the minimum?—I do not know that I would like to see the balance at the worst time of the year go below about 8 crores—Rs. 8,000,000.

2024. You are counting that roughly as eight millions?—Yes, it might reach up, to 15 or 16 crores, and when the Secretary of State did not draw his bills—trying to keep up a higher rate of exchange—money accumulated in the Indian treasuries, it went up to something very high. I do not think they have got the balance down to normal quite yet—12,000,000 or 13,000,000.

2025. Well in round figures. The expenditure in England and India is not very different. Are you up to 90,000,000 yet?—I daresay we are, owing to the inclusion of railway transactions—you must really examine the accounts, I daresay, to get the exact figures.

2026. Quite so. But here we consider a balance of about 6,000,000L. a maximum; of course it varies?—You should of course recollect that the balance of India has to be distributed all over an enormous country, and is lodged in a large number of treasuries.

2027. Our 6,000,000L. is in the Bank of England?—I do not think we could work with 6,000,000L. I think we would collapse—I think we would collapse with only 6,000,000L.; but Mr. Jacob will be able to tell you correctly—give you the best information.

2028. But 8,000,000L. is your minimum, I understand?—I think that is about as low as we could go.

2029. The district treasury is the key of financial procedure in India; it focuses the receipts and payments of the State, and from it alone can the financial member obtain information as to the progress of finance; are you satisfied with the arrangements under which you receive information from the district treasuries?—Well, after the mistake in the estimates in connection with the Afghan war, that matter was gone into very thoroughly and very carefully, and the present system, I think, was drawn up by Mr. Westland, now Sir James Westland, member of Council—and I think it was drawn up with great ability, and I never saw my way to making any improvement in it.

2030. Are you satisfied, as Minister of Finance, that, under the arrangements which were carried out (of which I understand you to say Sir James Westland was the adviser) the Finance Minister is quite certain to know early enough the progress of expenditure to avoid any recurrence of such a mistake?—Certainly. He cannot, of course, get the information so early as the Chancellor of the Exchequer could in this country, but he gets it as early as the circumstances of the case permit, and he gets it sufficient early for practical purposes.

2031. We understand that you learn the total of receipts and issues at the district treasuries and the balances in hand about the 9th of the month following

that to which the total related?—That, I think, is the date.

2032. Do you think that that is as early as it is possible to get the information?—Oh, I think so.

2033. We have been told that this monthly return, which the Finance Minister receives about the 9th of the succeeding month, is the one upon which he relies for his current information. We understand the difficulty of getting more frequent information from such a vast number of receiving and paying banks as you have in the District Treasuries; but did you ever find inconvenience from receiving only monthly accounts?—We get those figures on the 9th; then we get them in greater detail, I think, on the 16th.

2034. But only referring to the month that has expired?—Oh, yes; it is quite sufficient to get it once a month, and I think it would be found impossible—practically impossible—from the magnitude of the thing to get it oftener than once a month.

2035. But what I mean to say is, would you like to have them oftener?—I would not. There is this to be said I had been a long time Under Secretary, Secretary, and Accountant-General. I knew the whole of the system, and for me it was certainly sufficient. And the Secretary is, of course, in the same position in the Financial Department, and he would be able to give any necessary explanation to the Financial Member. I think the information now received is sufficient, and I think it is as good as could be got.

2036. I ask the question as a comparison. Here the Chancellor of the Exchequer receives every Monday a balance sheet of the state of finance up to the previous Saturday night. That return is, I consider, the Chancellor of the Exchequer's *vide mecum*, which is always in his hand, and on which he founds his constant communications with the Treasury and Revenue Officers. I think Sir Edward Hamilton will not say that that is an incorrect description of that account.

(*Sir Edward Hamilton*) I think it is quite correct.

2037. (*Chairman*) Would you say that an account of that kind received weekly would be a great advantage, as compared with what is possible in India?—I should not say that it would be of great advantage; no, I should not.

2038. In fact, from the circumstances of the case, the Finance Minister in India cannot keep such a close and daily watch over the progress of the year's finance as the Chancellor of the Exchequer can?—He cannot. As regards some heads of revenue he can keep a very close watch and make a very close estimate at the end of the year. Excise, for instance, Stamps and Opium; but when you come to the Land Revenue, the year closing at the very middle of the busy season for the payment of revenue, and the revenue being paid in in small sums—not merely at Treasuries, but paid in to collectors at various places, often far away from the telegraph, and with a slow post—we cannot of ourselves make a very close estimate as to the amount of revenue to be obtained in any particular year. It may come in a little later—half a million may come in—or a couple of days earlier. It is thrown from one year into the other. We cannot do it, it is not possible. In the same way the Financial Department cannot of itself do very much with the estimates of railway revenue expenditure; we must rely upon the estimates of the Accountant-General in the Public Works Department, who must depend on the railway officials. We have not the means of making a close estimate, say, of the income of the East India Railway; we must take what the East India Railway Company gives us. That is a difficulty, and that is one of the reasons I think why we are often blamed, because the actual figures vary a good deal from the estimates as regards certain heads. Although we can tell you exactly, or pretty fairly, what the revenue would be on a series of years, we cannot tell you how much will come into one particular year rather than another; but we can do so in regard to Excise, Stamps, and Opium, and a number of other heads. We know what the average Land Revenue will be, but we cannot say closely how much will come into this year and how much into next.

2039. You were speaking just now of the inconvenience caused by the fluctuations in Indian finance; first of all, in the districts, whether caused by famine or other emergencies to which India is subject, and next, which is partly the same question, in the revenue;

but may I ask, do you not think that (putting aside the last two or three years of very unfavourable exchange) the surplus which you have secured in India over a long period of years compares favourably on the whole with the financial results in any other country that you like to name?—I think so. We will always aim at a surplus in India. We always take our principles of finance from England, and we will not tolerate a deficit. We may put on taxation, and take other measures, but in the long run we will have a surplus.

2040. Then in spite of these very disturbing elements to which Indian finance is subject, you managed to estimate so far correctly and secured this result of good finance, that over a series of years you have shown a very respectable surplus?—A good average. Oh, yes, certainly, we have done that, and we will do it, no doubt.

2041. That, I think, would strike an outside critic?—Oh, I think we will always do that. You see, where there are so many elements of uncertainty the tendency in estimating revenue is towards caution. The estimates of revenue whenever they come up to me are all a little below the mark—where there are elements of uncertainty everybody who has to deal with the estimate works cautiously.

2042. Do you make the basis of them the receipts of a series of years, or what is the basis?—Well, in the case of the Excise revenue, we would get from the local officers their estimates. They would base their estimates on the facts of previous years and on any changes that had taken place or were about to take place and on their local knowledge, and we would compare the total estimate of the local officers—the aggregate for all India—we would compare it with the average for past years; and as regards all our main heads of revenue, I can only say that the growth of revenue has been very satisfactory. We can depend—taking Excise, Stamps, and a number of other heads—we can depend with, I might say, absolute certainty, on having a very fair rate of increase. It may not be so great in one year; but then we will have it twice as great the next year. But, on the whole, we can depend on a very steady and very satisfactory growth of the ordinary revenue.

2043. Speaking as a Finance Minister, and comparing yourself with other Finance Ministers, have you not had to deal with a pleasantly buoyant revenue?—If you will put aside Opium, which is rather a dwindling source of revenue from special circumstances, and which we have known to be a dwindling source of revenue for years, I should say that the Indian revenue was more than fairly buoyant. Of course, you must recollect that we have had a silver standard. What difference that made I cannot tell you. I do not think it made nearly so much difference as you would expect.

2044. We were just speaking about the difference between your monthly return and the Chancellor of the Exchequer's weekly return. The advantage which the Chancellor of the Exchequer finds in weekly returns is very much connected with his method of doing business, which is that of constant personal communication with the Treasury Officers and the Revenue Officers. The circumstances in India, which you have described fully to us, make that constant personal communication with the Revenue Officers impossible?—Impossible.

2045. And therefore if you had more frequent returns showing the progress of the receipts and expenditure they would not be so useful to you as they are to the Chancellor of the Exchequer?—Well, if you ask my opinion, I can only say that if you were to offer weekly returns similar to what we used to get monthly I would tell you that I would rather not have them. I do not want to look at four returns which practically give me the same information.

2046. I should like to ask you a question or two about the Budget statement. When you give in that statement an estimate of expenditure, to what expenditure does that relate? Does it mean the sums issued out of the different treasuries in the year ended 31st March for the great services, viz., war, public works, civil administration, or does it mean the expenditure as

finally admitted?—Expenditure as finally admitted—
as incurred.

2047. Not as issued, but as incurred?—No; we do not go by the issues; that, of course, causes delay.

2048. About what date is the Budget with you?—The Budget issued?

2049. No; the statement?—It is made about the 20th of March.

2050. Before the close of the financial year?—It is just at the close of the financial year.

2051. Then in the Budget statement you cannot profess to give an actual statement of the expenditure of the expiring year?—No; we do not. We give what is called the revised estimate.

2052. And that revised estimate is made when?—The revised estimate is made immediately before; it is revised immediately before the statement.

2053. In fact, it is revised for the purpose of the Budget?—It is.

2054. (*Sir Edward Hamilton.*) What is supposed to be the object of laying the Budget before the expiration of the year?—It used to be a month later. I think it was made a month earlier to enable it to be laid before Parliament by a certain time.

2055. (*Sir James Peile.*) In May?—Some time in the "60's," I think it was made about a month earlier.

2056. (*Sir Ralph Knox.*) About four months of the expenditure is estimated in the revise?—Well, in some cases it would be very much less. As regards certain heads of revenue, we might have eleven months actuals and one month's estimate. As regards most I think there would be ten months' actuals.

2057. But as regards expenditure, it would be a four months' estimate, would it not?—No, not so much as that, I should say.

2058. (*Chairman.*) You think that the expenditure is admitted within less than four months?—Oh, I think so. I think we get the actuals for the month six weeks after it is closed, I then have the actual recorded expenditure.

2059. Sufficient for your revised estimate?—Oh, yes; I think so; and we get approximate actuals under some heads before we get the actual figures.

2060. Therefore, if the Budget is laid on the Table in the middle of March, you may say, as far as expenditure goes, that as regards two months it would be based upon estimate?—Yes, something like that, but these are two very important months.

2061. Oh, are they?—Yes; March is a very important month.

2062. Is it a great month of receipts?—It is a great month of receipts.

2063. (*Sir Edward Hamilton.*) We always find it the greatest inconvenience in having a Budget before the close of the financial year in this country?—Yes.

2064. I remember one or two occasions; it is always attended with very great difficulty, is it not?

2065. (*Chairman.*) I was going to ask whether you do not find it somewhat an inconvenience having to prepare your Budget before the close of the year? Would it not have been a satisfaction to you to have been able to close the year before making your Budget statement?—It would in one way, but, on the other hand, it is very desirable to have the estimates sanctioned.

2066. In time?—In time, and distributed by the beginning of the next year.

2067. There is a reason why it is not so important to you as it is to us, and it is this: our Budget estimate is based entirely on the Exchequer issues?—Yes, that makes a difference.

2068. And, therefore, considering that by that means the Chancellor of the Exchequer is able on the night of the 31st March to state definitely his receipts and expenditure for the year, it introduces a confusion into his statement if he anticipates that by 10 days and brings estimate into that which a few days later he could make a certainty. But supposing the Budget were introduced at the same time that it is here, about the 10th or 12th of April, you would still have a considerable amount of estimate in your expenditure?—Oh, yes, a very considerable amount, because of course the closing of the accounts of the year is a very big business in India with so many departments. There are so

many provinces and adjustments between them and so forth that the last month's accounts are the most difficult to close.

2069. (*Sir Edward Hamilton.*) You are not then, I suppose, able to present your Budget upon ascertained figures for the previous year until you come to the end of June practically?—It would take some months after the beginning of the year to enable us to do so.

2070. (*Chairman.*) Without suggesting that there is reason for an alteration; I should like to ask you this question: Would you see any advantage in making your Budget estimate depend upon the issues from the district treasuries, and not on the admitted expenditure, so that, we will say, if the Budget were published about the 10th April you would have a definite account of your income and expenditure for the year not dependent upon estimate?—Well, I do not think that we could work under that system in India without a complete change; and, after all, if you get a definite account of that sort it is by sacrificing something. It is by accepting what are accurate enough in their way, but do not show exactly the expenditure of the year—it is by accepting issues instead of actual expenditures.

2071. Our Exchequer issues are imprests?—Yes.

2072. And we generally find that one year with another the audited expenditure differs from the Exchequer issues—I speak, subject to Sir Edward Hamilton's better and later knowledge—by sums varying from 100,000*l.* to 500,000*l.* upon an expenditure of, we will say, from 90 millions to 100 millions; therefore, for all practical purposes of the public, that is sufficiently accurate. For the minute purposes of account, for the examination by the House of Commons of the accounts for the year, the audited account comes later and serves that purpose sufficiently, but what the public here have been accustomed to and like is, immediately after the close of the year, a statement which is not altered afterwards?—I think it would be very difficult to introduce it into India; it would require a great deal of consideration.

2073. That I quite understand?—A very great deal; our system is so totally different that the introduction of that system would be a revolution; it would require very careful consideration.

2074. In asking the question, I was not, for a moment, suggesting it to you as a desirable change?—No.

2075. And the utmost I would ask you is whether you yourself, as a Finance Minister, would prefer, in making your budget, to deal with an account that was definite rather than with an account in which a part is estimate?—Of course, I would rather have an account that was definite. I told you that in India, owing to uncertainties, we always estimated cautiously, and consequently in a series of years we showed surpluses over the revised estimate; now it is a most remarkable fact that the actual accounts always—I may say always—turn out better than the revised estimate.

2076. That is the next question I was going to ask you—I have often noticed that the final account turns out better than the revised estimate?—Yes.

2077. And, therefore, when the Indian Finance Minister comes before the public with the Budget he is obliged to put before them a statement which is worse in all probability than that which he will eventually have to present?—Well, not his estimate for the coming year, but his revised estimate. I always said in my financial statement: "Here are the figures for the revised estimate; here is the surplus or deficit; I have no doubt that when the accounts are made up the result will be somewhat better," and the cause of that is that owing to the uncertainties nobody who makes an estimate will put down more revenue than he is certain of receiving, and every man who has expenditure to estimate will put down the maximum that he is likely to spend, and when you take the totals of those items of revenue and expenditure the margin comes to something very considerable for the whole country.

2078. (*Sir Edward Hamilton.*) But still you would consider it an advantage if it could be arranged for you to have your final figures before the Budget?—Yes.

2079. I understand that the reason why it is laid at this time of the year, usually March, prior to the close of the financial year, and some time before you get your final accounts, is that the Budget should be laid first before your Council in India, and then be able to be presented to Parliament here before the session is over?—Yes, it must be produced in March.

2080. But if the financial year closed on the 31st December, corresponding with the calendar year, then I suppose that difficulty could be surmounted?—Yes, there is no reason why it should not; I do not know any reason why it should not.

2081. (Chairman) As it stands now, since you produce your Budget in March, therefore whatever system is adopted there must be a partial estimate in it. The comparison, therefore, which I have been suggesting for your consideration between the English system of Exchequer issues and your system really falls to the ground, if you are always obliged to base your final accounts somewhat on estimate?—Oh, yes, so long as they are presented in March.

2082. There is only one consideration, on the other hand, which seems to me a weighty one—that you are obliged under the circumstances to present an account not so good as that which you will present a few months later?—It is always certain that the final figures will give a better result than the revised estimate.

2083. I do not know that we have very much to ask you about the arrangement under which the provincial expenditure is conducted. I gather from what you say that you approve strongly the system of decentralisation?—Oh, yes. I think it would have been practically impossible to have conducted the administration under the old system.

2084. Do you think that that system could be extended further?—Well, what I should like to see would be the provincial Governments—the chief ones at any rate—started in a position of financial independence; that there should be no more revisions of the contract. I do not think the time has come for that.

2085. But you would allow the provincial Governments to take a fixed proportion of the revenue they collect, with no such revision as that under which the Central Government has hitherto obtained a considerable gain?—Certainly, that is what I should like to see.

2086. Then how would you meet the necessities of the Central Government with the heavy demands that come upon it?—I would only give the Local Governments a certain proportion of the increase of revenue, I would settle they should have that.

2087. But at present the Central Government constantly takes that increase?—Constantly takes a portion of the increase; but I must say when the provincial system was started I do not really think it was intended that the Provincial Government should have a portion of their resources taken away periodically. The difficulties, however, of the Government of India, owing mainly to the Exchange question, have been so great that it has been forced to take what money it could. Assuming that it had to meet a certain expenditure it was better to take a portion of the large increase which the Provincial Governments had got than to impose additional taxation.

2088. That I can readily understand?—In the first instance there was a scheme as regards railways and canals that the Local Government should guarantee the interest on the railway or canal, and the Government of India find the money. The railway was made, and if it paid less than 4 per cent. the local Government made up the difference. Well, if you have a periodical revision and a cutting of the surplus away from the Local Government you destroy all that. The Local Government may guarantee anything it likes, but at the end of five years you must leave it enough to carry on the administration. If you take all the surplus, you, to a certain extent, remove all the inducement to the Local Government to economise. It is a weakness; the periodical revision may be necessary under present conditions, but it diminishes the value of the system. Take the province of Bengal with a population of between 70,000,000 and 80,000,000 of people. Well, that province is big enough to have an independent financial system.

2089. But on the other hand is it not a benefit to the provincial Government under your present system that practically the Central Government takes the risks of finance except in the case of famine?—Of course the Government of India takes all the great risks.

2090. And is it not fair, therefore, that you, the Finance Minister at the Central Government should take part of this fairly buoyant revenue in order to secure yourself and have a reserve against these demands?—But we do take a part of the revenue. For instance, we take three-fourths of all the increase under Excise as it is; we take one-fourth of the Stamps; but then when the periodical revision comes the necessity has been so great that the Government of India has had to take a portion of the increase that accrued to the Local Government.

2091. Have they not taken all the increase that has accrued?—After allowing for the increase of expenditure. I do not propose to change that at the present time—I think that the other system cannot at present be introduced. It has been proposed, and I had to go against it. The financial position of the Government of India is such that it cannot give up this system of revision; it must retain the right to take a portion of this increase.

2092. Then in fact your view is, if I may say so, an expression of pious opinion?—Pious opinion.

2093. As to what might be desirable in case better days come?—Yes; in the future I should say very desirable. I should certainly look forward to that as the development in Indian administration, but I am not prepared to say that the change is practicable at the present day.

2094. (*Sir James Peile.*) It would not do to have the central administration embarrassed while the provinces were rolling in wealth, would it?—Well, if it came to a question whether the central administration should be embarrassed or the provincial administration be starved, I would rather see the central administration embarrassed.

2095. (*Sir Ralph Knox.*) Does not the provincial system somewhat encourage that which you deprecated just now, viz, that spending locally in prosperity years?—Well, it does, but the Government of India keeps a certain check over the provincial system. We will not allow them to spend the last rupee; we make them maintain a certain balance.

2096. Still, when there is a prosperous year they have been trying to spend that money?—Well, they would no doubt, but as you see there are two ways in which they may spend it. They may spend it in increasing fixed establishments. That they would not do if they merely had a good year. They might spend it on public works; there is no objection to that because they can curtail that expenditure, if necessary—it is merely making so many more roads. There is, of course, a risk. But if they spend more than their income for some years then they have got to spend less for some years.

2097. But it is generally in that direction—in the construction of roads and buildings and public works that excess of expenditure does take place in a prosperity year, does it not?—Well, you see it would not occur in the year in which the revenue came in.

2097a. But if the Local Government had very prosperous years and accumulated revenue, they would no doubt spend that surplus on roads and on public buildings, and possibly on railways; and that you would not object to?—I think not because that could be stopped.

2098. It is rather establishing a higher standard of expenditure, that you would object to?—That I would object to unless they had permanent increase of revenue.

2099. (*Chairman.*) Do you not think that people will always find a good useful object to which to apply revenues which come to hand; and can you always ensure that such money is economically applied? I think I gathered that you desire the central government to interfere as little as possible?—To interfere as little as possible.

2100. To leave them a free hand?—To leave them a free hand. Of course, they may waste money; no doubt about that; but every Government wastes money more or less. They must learn to manage their own affairs. I think a province of 70,000,000 of inhabitants is big enough to have its own financial system, and to manage its own affairs.

2101. It is very evident that you are a firm friend of decentralisation?—I am.

2102. (*Sir Edward Hamilton.*) You said "periodical revision"; how often?—Every five years.

2103. (*Chairman.*) And that for the present you think must be observed?—I do not think you can

extend the Provincial System much further for the present; I see no way of extending it further for the present.

2104. And, given fairly prosperous times, these heavy demands upon you, and the great inconvenience of the fluctuation of the exchange being removed, you would not think that it was necessary to secure a larger share for the Central Government than that increase which it would gain upon its normal share?—Well, you see you might look at the thing for a series of years and say “We have given you one half the increase of the revenue under a certain head; we are going to make a permanent agreement with you; we will give you one-third permanently.” The thing is to be looked into and settled upon reasonable terms, but I would certainly look forward to that as the course of development in Indian administration, and as a very great reform if it could be introduced. It was proposed, I think, by the Lieutenant-Governor of Bengal some years ago, and I had to go against it because we were not in a position to take it up.

2104A. (*Sir James Pale*) Would you maintain the practice of special contributions being levied when the Government of India is in difficulties, which happens occasionally now?—It is a case of necessity knowing no law. I think it an extremely bad system.

2105. (*Chairman*.) Then at the present moment, in this very current year, in 1895-96, the Central Government has been obliged to make a great draft on the Provincial Government?—Was it 1895-96, or 1894-95?

2106. 1894-95?—Yes, I think so. It is one of those things that has to be done, but I think it is unfortunate, it is like putting on taxation, it is an evil, but you cannot avoid it.

2107. I think that you, in looking over the evidence that we have received, do not entirely agree with the interpretation which was put upon the provincial rate in Bengal. I think you thought the witnesses represented it as a percentage on the land revenue?—Yes. I do not think it is in Bengal. Of course you were examining account officers. My impression is that it is so much on the rent.

2108. Yes, quite so?—It would be quite unreasonable to put it on the land revenue in Bengal, for the land revenue bears a very small proportion to the rent and not the same proportion throughout.

2109. Therefore it would be incorrect to represent this as anything like the *centimes additionnels* in France which is a separate tax?—It is a separate cess; I think it is so much on the rent of the land, and it would be most unreasonable to put it on the land revenue in Bengal.

2110. You would guard us against forming too hasty an opinion that the large increase of revenue since the provincial system was introduced is due to the introduction of that system?—Oh, I should, certainly; and I am a supporter of the provincial system, and I have no doubt that the introduction of the system has developed the revenue. But if you take Stamps you will find that there has been a large increase there. Well, the local Government could have done very little to develop the stamp revenue—very little, indeed, and if you look at the division of Stamps I think you will find that the increase has been larger under what we call “court fee stamps,” that is, stamps on documents put into court, and plaints, and so forth. The action of the Local Government could not have affected this branch of the revenue in any appreciable degree, and yet I think there is a large increase. I would also wish to say that I do not think the increase of revenue due to the provincial system is due so much to the fact that zeal has been increased as to the fact that they work with greater latitude. I think that a Local Government managing a branch of the revenue for the Imperial Government is fairly zealous. I do not think there is much increase in zeal, but they were allowed a greater latitude.

2111. I think one of your predecessors gave as a reason for allowing such latitude of powers to the Provincial Governments that the revenue as collected when they had no interest in it, was carelessly collected?—I should hardly say so, but undoubtedly the provincial system is an improvement.

2112. And that opinion of yours carries all the more weight owing to the fact that you were cognisant of the system before the change to place?—Yes.

2113. Before the provincial system ever came in?—Now take the case of smuggling, excise smuggling,

smuggling of liquor. I imagine that the Local Government was always anxious to put it down when the revenue went all to the Imperial Government, but they had not the same power, we will say, of appointing preventive establishments, or making other regulations to put down smuggling; they have been given greater latitude; I think that is the chief factor, not increase of zeal. The district collector does not get anything for himself in any form whether the excise revenue is large or small; it goes into the general treasury, and is probably spent on public works in a different part of the province altogether. There is some increase of zeal I admit, but I think the improvement is due to the greater latitude given to the Local Government rather than to the increase of zeal in the collection of revenue.

2114. (*Sir Ralph Knox.*) You think that the Central Government rather starved the establishments do you? — Well, I will not say quite that they starved the establishments, because whatever money they got they spent in some form or another, but the Local Government would, if it wanted to stop smuggling, have had to prepare a report on the whole question and send it up to the Government of India, saying: "We think there is so much smuggling, and we would like this preventive establishment," and that would go to the Finance Department, and the Finance Department would say, "Well, we have not got the money, and we are not satisfied it would pay." When something like that happens on a few occasions, the Provincial Government would rather hesitate to make proposals. They would say, "Let things go on as they are, we cannot get the Government of India to agree to a change." Now, if they think it is necessary to make a change, they can make a change by their own authority, bearing the cost themselves.

2115. (*Chairman.*) Did you notice a table which Sir Henry Waterfield put in, in which he showed a very large increase on the revenue that had been handed over to the Provincial Governments?—Yes, I noticed the table.

2116. Amounting in the case of the excise to as much as 85 per cent. ?—Yes.

2117. It is at answer No. 679. The per-centage of increase, of course, struck us very much; and a question arose as to whether that increase could in any degree or to what degree be looked upon as the result of improved administration. The tendency of the witnesses was to say there had been no noticeable increase of taxation that need modify to any great extent the deductions to be drawn from that per-centage; and therefore they could only say that that per-centage of increase was due (1) to the increase of prosperity of the country, (2) to better collection. May I ask if you have any opinion to offer?—Well, I should say in the case of excise there would be a decided increase of taxation.

2118. You would?—I ought to say that the witnesses guarded themselves by saying afterwards that there had been an increase upon spirits?—I fancy that the fact that it was due to increase of taxation has been overlooked, because in the case of the excise, as a rule, it was not necessary to pass an Act increasing taxation. The revenue authorities had power to increase the taxation.

2119. There are maximum rates?—Well, I am not sure that in some cases there was any legal maximum; practically there was a maximum, and very much above the actual rate. Then, take the case of opium. It comes under the head of Excise, in so far as it is consumed in the country. That is called excise opium. That is the internal consumption—consumption inside the country. In Bengal, and in a number of provinces on that side of India, the Government which manufactures the opium sells it, and the way they increase taxation is by putting a higher price upon it. There is no Act; but the increase of the selling price is increased taxation unquestionably. And you will find that in Assam, for instance, and in Bengal, with a reduced consumption of opium there is a very much higher revenue. In the same way the rates of duty on Ganja have been very largely raised, and the rates on spirits have been raised; and higher rates have been put on licences for shops. You see we limit the number of liquor shops in many places, very strictly; consequently, the shop becomes a valuable property, and you can manage to get a high rent for it. If you reduce the number of liquor shops in London to 2 per cent of what they now are each liquor shop would become a very valuable property and the State might very fairly claim that increased value.

2120. And that, you think, is done in India?—In the case of Excise there has been increase of taxation in many ways. There is also a greater check upon illicit consumption; and, no doubt, good years in India mean an increase of Excise revenue and bad years mean a falling off. There is no question about that. I have traced the connexion through a series of years. And, no doubt, there are some sections of the Indian people whose position has improved. It does not follow that they drink more, but they are in a position to pay higher rates of duty. Then take the case of registration. That is a growing department. It is a small department; it provides for the registration of documents. It is a growing department, and the receipts increase with the growth of the department, and also with increase in the number of transactions.

2121. In regard to the Excise, when we have this very large increase of 2,200,000L. on 3,000,000L. how would you account for it? I suppose you would not attribute the whole of this to increase of taxation?—Oh, certainly not.

2122. The extent to which you go is to caution us against deducing any hasty generalisation that that increase is to be divided between (1) increase of prosperity, (2) better collection?—That is it really, but, of course, you recollect that those figures are all under the silver standard. I am not sure that that makes much difference, because it is a very strange thing that although you find a great alteration in the relative value of gold and silver, you do not trace in the two countries the same complete alteration, the complete alteration comes very slowly.

2123. You mean in prices?—Yes, prices and wages, and so forth.

2124. May I ask you have prices increased? At the time when the Indian Currency Committee was sitting I think the balance of evidence before us was that prices had not very much increased, but of late is not the tendency of opinion in India that prices are increasing?—Yes, there was that; there was some manifest indication of increase in prices, but I do not think there has been quite recently.

2125. You do not?—Not, I do not think so.

2126. You mentioned that the rules regarding claims by the Provincial Governments for extraordinary relief have never been applied in practice, is that the case—are they applied under no circumstances?—Well, you see we have not had a great famine since 1878, I think, and those rules were subsequent to that date. I am not sure that those rules are in force now. I merely expressed my opinion that hard-and-fast rules like that cannot be applied in practice; if there is a famine Local Governments must meet it as well as they can, and, when their resources are no longer able to meet that famine, the Government of India must assist it, and when that famine is over the Government of India must start the administration again on a fairly satisfactory basis. For instance, if the revenue of a province is one million, and we find that under those rules we had a claim of one million against it at the close of the famine, we could not possibly enforce the claim. The administration must be carried on; therefore my opinion is that these rules go into too much detail, that, when a province gets into difficulty owing to a famine, you must take the whole of the case into consideration at the end of the famine, and start the administration on a fairly satisfactory financial basis.

2127. Then, on the whole, I take it that your opinion is, in favour of the extension of the provincial system, and, next, that you would put in force as little as possible the powers of control reserved to the Imperial Government. On that point do you think that these powers of control, which are reserved, give rise to a very great deal of correspondence?—I do not think so; they are understood.

2128. That is because the Government of India has acted, I suppose, in the spirit which you approve, viz., it exercises those powers to the least degree that is compatible with sound finance?—Partly because the powers are well understood by the Accountant-General or Audit Officer in each province who is responsible for applying them. If anything goes wrong he informs the Local Government at once, I must say these rules,

which are very much the same as the rules first drawn up when the system was started, have worked very well in practice. I think they were drawn up by Mr. R. B. Chapman in the first instance, and there has been very little change indeed in them.

2129. And, therefore, the principle upon which decentralisation took place has been given full effect to, that is to say, that the interference of the Central Government has been restricted?—Certainly; the only thing one can say is that the special contributions and those periodical revisions have been, I think, a little more severe than was contemplated in the first instance, and it would be desirable to get rid of them if you could: I do not think you can for the present.

2130. (*Sir William Wedderburn.*) May I ask one question as regards this matter of provincial contributions. Besides the revision of the contract, after a period of years, there has been this occasion of levying a distinct contribution from the provincial balances which have accrued?—Yes.

2131. Is the amount taken from the several provinces calculated with reference to the total of the balances that have accumulated or to some system of putting a rateable contribution upon each? What I want to bring out is whether the economy of a particular government becomes penalised by having a considerable balance which may tempt the Central Government?—It is ~~not a rateable contribution~~. It is taken generally with reference to the circumstances of each province at the time. I cannot say how the last one was taken. I do not think a special contribution was ever actually taken in my time. I do not think the contribution can be taken by a rateable levy, because you might find a province was not in a position to make any contribution unless it put on taxation. Of course, as you say, the present system may operate as a sort of penalty on a government that had accumulated its funds and was economical, if it be economy for a Provincial Government to accumulate its funds. This may be the case, but I do not think a rateable contribution would work satisfactorily in practice.

2132. (*Chairman.*) I would like to ask you a few questions on the subject of the audit system of India. Do you share the opinion, which I think is now generally accepted by financial authorities in this country, in favour of an independent audit, that is to say, an audit by a man who is independent of the officer whose expenditure he audits?—Yes; certainly.

2133. Do you think under the present system that is fully given effect to in India?—I think, without saying the Indian system is perfect, that it is very fairly given effect to.

2134. Now the criticisms I should like to put before you for consideration are these: The officer who is charged with the duty of auditing in India is the Comptroller and Auditor-General. That officer described to us his duties, of which a considerable amount appear to me to be executive duties; first of all, we gathered from him that he is what we should call adviser of the Treasury. To a certain extent he is adviser of the Finance Minister in financial executive measures. Some of his functions seem to us to correspond to those of the Comptroller of the National Debt Office here, which is distinctly an executive office. And again he has functions connected with currency, and with the management of the mint, which I think to a certain extent one would qualify as executive. Well, these functions being executive to a certain extent, he may be auditing expenditure of which he has been the adviser. Is that quite compatible, apart from reasons of expediency to which we shall come afterwards, with the independence of the auditor?—Well, I think in my previous answer I said that the Indian system was not perfect, but that I thought on the whole it was fairly satisfactory as regards the independence of the auditor. Now, in point of fact, the real audit is not made by the Comptroller and Auditor-General. There are separate auditors in the Public Works Department, also in the Military Department; and then there are civil auditors—Accountants-General—in the provinces; these officers who have no executive functions really make the audit.

2135. The functions of the Accountant-General have been described generally in accordance with what you

have just been saying, but we understood also that they were advisers generally on financial questions to the Local Governments?—They are not regular advisers, but every Accountant-General must advise the Local Government if the Local Government asks him for advice. The Auditors of Military Expenditure are however appointed and promoted by the Military Department. I think the system has worked fairly well; but I think there is a weakness in it; I think the military auditors ought to be appointed and promoted by some other authority. I do not wish to change their functions in any way, or their relations to the Military Department, nor to alter the system of recruitment. They are generally military officers and they might remain so; but I think their appointment and promotion ought to be in the hands of some other authority. The same remark holds good in regard to the Public Works Department, although the work of the Public Works Account and Audit Department, as far as my experience goes, has been very satisfactorily carried on—I have got a high opinion of it. What you say is quite true as regards the Comptroller and Auditor-General, so far as he has to report on those duties which he himself performs. For instance, his duties in connection with the Currency Department. There used to be a rule, I think, that his expenditure was audited by the Accountant-General. I am not sure whether that is in force now or not; but there is a weakness as regards the functions which he discharges himself—though I do not look upon that as serious—I do not, because the audit is done, or might and ought to be done, not by the Comptroller-General's establishment, but by other establishments.

2136. That is to say, in the provinces?—Yes, and the real audit in India, the real check, is the original audit, not the Comptroller and Auditor-General's report. I must say that that report is not to the Government of India of much value.

2137-8. Apart from the question of expense which was, I think, the one which weighed very much with the Government of India at the time the question was under consideration in 1881 or so, would you yourself prefer that the Comptroller and Auditor-General should correspond nearer to our Comptroller and Auditor-General who, as you know, is hedged round by Parliament with extraordinary precautions in order to make him independent?—Well, you see the authority that is interested in India in the Auditor-General's report, is the Financial Department, and the Comptroller and Auditor-General is an officer of the Financial Department, and takes the financial view; so that, as regards the officers on whom he reports, with the exception simply of his own establishment, he is thoroughly hedged in. He has nothing to do with the Military Department and the Public Works Department, he is thoroughly independent of them. It is for the sake of the Financial Department that he reports, and he is an independent officer as regards the outside officers; but as regards his own particular officers, there is the weakness. You see that in this report he is not a perfectly independent officer.

2139. It is an axiom of Parliament in finance to trust nobody?—Yes, that is the sound principle undoubtedly.

2140. We do not trust the Chancellor of the Exchequer?—Trust nobody.

2141. We do not trust any Minister, because under political pressure or under necessity, it is quite possible that he might be tempted, not to anything amounting to malversation, but to irregularities of expenditure that are incompatible with orderly finance, therefore Parliament has an independent officer who is more or less an adviser; he has a free right of comment and he calls the attention of Parliament to infraction of the regulations. It would strike one as an extraordinary thing if that duty were here entrusted to one of the high officers of the Treasury, because he would still be in some respects not only an adviser of the Chancellor of the Exchequer—perhaps an adviser of, and assessor to, the very infraction of rule which he ought to ~~criticise~~. Moreover the Chancellor of the Exchequer, the head of the office, is his chief, and it is almost more than you can expect from human nature that the subordinate should report against his chief?—I do not think the Comptroller and Auditor-General in India is adviser of the Financial Department in the sense which you mean—not in the sense in which

the Financial Secretary is. He is the confidential adviser. The Comptroller-General and the Financial Member of Council do not come into direct communication at all; but if the Financial Department wanted the opinion of the Comptroller-General, it would send the paper to him undoubtedly.

2142. But does not the Member of Council come into contact with the Comptroller-General?—Not into direct contact, no; it would be through the Financial Secretary.

2143-4. That is an important point. Of course no two officers in different systems exactly correspond, but the description we received from Sir Henry Waterfield and Mr. Jacob would have left those of us who are conversant with our own system here, under the impression that the functions of the Comptroller-General rather correspond with those here discharged by Sir Edward Hamilton; and I think Sir Edward Hamilton would be rather surprised at the idea of his being constituted Comptroller and Auditor-General?—I think the Financial Secretary's position corresponds more closely to Sir Edward Hamilton's position as I understand it (which I do imperfectly), the Comptroller and Auditor-General is quite outside the Financial Department of the Government of India.

2145. (Chairman.) There is another question I want to ask. Have not the subordinate and thoroughly independent (as I gathered from you) auditors, the power of disallowance?—They have power to disallow, that is to say, such and such an expenditure ought not to have been incurred, it ought to be refunded.

2146. And they have the power of saying whether or not it must be refunded?—But if it is contrary to rule it must be refunded.

2147. But the interpretation of the rule 'lies with them; they have not to report to the higher authority?—Not in the first instance.

2148. Unless the Accountant demurs?—Unless the person who is retrenched demurs.

2149. Does that correspond quite with your idea of a thoroughly independent audit? Does not a great deal of the value of an independent audit lie in the fact that a high officer has the opportunity of knowing what irregularities take place, so that he may be able to make public (because that is the object aimed at) any serious irregularities?—Of course, any serious irregularity would be reported to the Government—any serious embezzlement of money or anything of that sort.

2150. If the subordinate officer has power of disallowance, he may say, "Well, I will pass that"?—He can only pass it if he is satisfied—if the rule permits it. He has no discretion unless as regards very simple matters.

2151. But he may interpret the rule; he can say: "I consider that falls within the rules"?—Oh, certainly.

2152. And occasionally a subordinate officer may not be the best person to say that?—He may be wrong occasionally, certainly.

2153. In difficult cases it would be certainly better that the high officer should be the decider?—If the Audit Officer had any doubt about it, he would refer it himself; but if you think that all these disallowances should come up to the Financial Department, I can only say that I think such course is impracticable, I do not know how you would do in this country when petty charges are disallowed, but the number of small disallowances in India is something enormous; it would be absolutely impossible to send them to a central officer. I mean to say the extent of business is such that the vast majority of those disallowances must be dealt with by the officer; they are generally very petty.

2154. Quite so. Of course, here, as with you, there must be filtration, if I may say so?—Yes.

2155. But I think the principle of administration here is to secure that the Comptroller and Auditor-General himself shall know irregularities which have taken place, and I think he would feel pretty certain that any serious irregularity would really come to his notice. I did not quite gather that the Comptroller and Auditor-General had a like security in the Indian system?—I do not think, as far as I recollect, that there is any return of disallowances sent in to any central authority. Serious cases always would come up. I observed, I

think it was in Mr. Becher's evidence, that the Accountant-General in the Public Works Department gets a return of serious cases. I do not think that that exists in the other departments. I see no objection to that. It would be on the whole rather a good thing; but what I would very strongly object to, would be a system by which all the disallowances made by all the audit officers all over India, came to a central authority. It would be an appalling amount of work, and absolutely unnecessary. A return of serious cases sent in quarterly, I see no objection to; I think it would be very good. If I were in office now I would certainly take up the question.

2156. Lastly, I want to ask you about the Appropriation Account. It seems to me rather a review of the financial work of the Government than an Appropriation Account?—I have dealt with those reports both as Secretary, and as Member of Council, and I cannot say that it was any value to me really; because all the questions raised in it of any importance had come before me previously and been disposed of, and when I got a sort of re-hash of the question 12 months afterwards I thought it was rather troublesome.

2157. And that is, if I may say so, the weakness of the report. It takes the form rather of a financial report for financial experts than of a criticism by an independent officer upon the financial acts of government. I must say that I think the Comptroller and Auditor General's reports here correspond much more nearly to what is wanted. He expresses, or ought to express, no opinion whatever about policy or about the acts of the Government as such. He has put before him by the accountant the account of expenditure, he goes through this, and he signs the account if it is correct, but at the same time he appends to a report in which he calls attention to every serious irregularity that he has found. What I mean by "serious irregularity" is "infraction of rule." Of course, if an officer has infringed a rule and made it good at once, in nine cases out of ten there is no necessity to mention it, but he would call attention to any infraction of rule, either by the accountant himself or by the Treasury in passing it afterwards, if it was a serious one, and he would also call attention to any case in which a serious irregularity had been condoned. Now I do not see that the Appropriation Report of the Comptroller and Auditor-General in India corresponds to that?—In India, you will observe, the irregularities are brought to notice, as it were, from day to day; this is done by the Audit Department concerned, and I do not really think there is much left for the Comptroller and Auditor-General to do.

2158. That used to be said here. I am old enough to remember the time when there was no independent auditor here?—Well, I can only give my opinion for what it is worth. That is my opinion. I admit that in principle to have an altogether separate officer auditing all the expenditure, appointed by Parliament, and so forth, might be more satisfactory. It would involve considerable expense. I should hardly say that the advantage is worth the cost. That is my opinion.

2159. (*Sir Donald Stewart*) Is it not the case practically that in 99 cases out of 100, the retrenchments that are made are eventually passed?—That I could not say, but no doubt the greater portion of them are eventually withdrawn.

2160. They are simply formal?—They are very simple matters, I know. I introduced what I thought was a reform in connexion with that. Under the old system, if an officer had overpaid, we will say, one penny too much, it must be pursued until the sanction of the Central Government was obtained to writing it off; and the amount of correspondence it gave rise to was very serious. So I suggested that the Accountant General should be given a discretion in the case of very small sums as to whether it was worth while pursuing them under all circumstances. But the number of objections made in the first instance all over India is very great.

2161. (*Chairman*.) All I would say about it is this. Anybody who was conversant formerly with the operation of the audit here, and who will go through the reports of the Comptroller and Auditor-General, will see the value to the public service the criticisms of the Comptroller and the Auditor-General, and what

an immense benefit the institution of the appropriation reports has been—first, to Parliament; and, secondly, to the departments themselves?—If it would strengthen the Financial Department in India I should be very much in favour of it. As one who has had an opportunity of observing this matter for many years, I cannot speak too highly of [the excellent financial results from the comments of the Comptroller and Auditor-General on the public expenditure have had. His report is the biggest and best financial reform that has taken place within my recollection.

2162-3. (*Mr. Buchanan.*) There is one point I wish to ask you about. In the early part of your evidence you spoke about the Financial Department being practically weak though theoretically strong, and you said, I think, that you could not suggest any amendment in the rules for altering the position of the Financial Department: but are there any other suggestions you could make to the Commission by which the Financial Department might be made stronger for the purposes of controlling expenditure?—No; I am afraid there are not. It is a weakness, I think, inherent in the system of government; it is one of the things you must accept.

2164. That the Financial Department should be weak in itself?—I think it is weak.

2165. Then you told us, too, with regard to financial difficulties that have arisen within the last 20 years, or financial crises, I think you called them, that the Financial Department had foreseen them, but that the Government of India had not acted upon the warning?—I do not know that I said that.

2166. You said there was a want of continuity, I think. I have not got your words here; you said the Government of India did not go slowly enough?—I said I thought there was a tendency to go too fast in times of prosperity—I think there is—and not to bear sufficiently in mind the fact that periods of difficulty come; and that I imagine is partly due to the fact that the members of the Government change every five years, and that to really master the conditions of India requires a very great effort.

2167. Would you be disposed to extend the term of office?—No, I would not.

2168. The appointment of the Financial Member of the Council you have already told us is for five years?—For five years, practically.

2169. But I suppose a good deal of the actual financial work is done not by him, but by the permanent members of the Department?—No doubt a great deal is done by the permanent Secretary.

2170. And they do not change, of course, any more than the officers of the Treasury at home?—They do not, except that in India, changes are always rather more frequent than they would be in this country.

2171. They retire earlier?—Yes, and they take leave.

2172. But would there be any decided change that you would like to recommend in order to strengthen the Finance Department or the financial position of the Government of India?—I am afraid not.

2173. You stated, I think, too, with regard to the relations between the Finance Minister and the Secretary of State that they were close, that the Secretary of State was generally the friend of the Finance Minister, and that it would be better if he was a stronger friend. Would you like to increase his authority over the expenditure of the Government of India?—I would like very much as a preliminary to that to increase his knowledge of financial conditions in India.

2174. How would you propose to do that?—Well, that is the difficulty. I should not like to see him interfere much with the details of Indian administration unless he could interfere with greater knowledge of India.

2175. Would you alter the constitution of his council?—That is a question I have not considered. That is a very big question in which you would find great difficulty.

2176. You would not be prepared to make any suggestions to alter what in your knowledge is the difficulty at present in the government of India?—I had thought

at one time that instead of questions of expenditure being referred to the Financial Department alone they should be referred to a sort of committee of expenditure consisting of the Financial Member of Council and two other men specially appointed for the purpose; but on thinking it over I am not sure that it would be an improvement.

2177. Two other members of the Viceroy's Council?—No, not of the council at all; two separate men.

2178. (*Chairman.*) Officials?—They would have to be officials. You could not get them to do the work in India without pay, and so far they would have to be official; but apart from that appointment they might be non-officials. I came to the conclusion that on the whole I could not recommend it. It is the only thing that has ever occurred to me.

2179. (*Mr. Buchanan.*) To put a kind of veto on extra expenditure?—Well, I do not think you could give them a veto; but they might be given a certain authority, and if they objected to certain expenditure the objection would come with greater weight from them than if it came from any one member of the Council; but I think you must maintain the authority of the Viceroy in the Indian system of government.

2180. You stated very strongly your opinion as to the power of the Viceroy with regard to financial matters. With a view to economy would you be inclined to increase his power? Do you think that is good or evil?—I do not quite understand the question.

2181. To increase the power as I understood from you of the Viceroy in the Council?—Well, I do not see how you can increase it, and it would be very difficult to diminish it, and certainly great authority must be left in the Viceroy's hands. If he had no more authority than any member of the Council the business simply could not be carried on; he must be supreme in the Council, really.

2182. You told us, if the Viceroy was economical we had economical government. Are there any suggestions you could make by which you could permanently attach him to the study of economy?—I am afraid not. Recollect that the position of Viceroy of India is one of the most difficult positions in the world to fill. It involves an immense amount of labour and responsibility, and it is absolutely impossible to get a Viceroy who fulfils all the duties of the office perfectly, no such man exists.

2183. Do you think it would be a good thing that Parliament should exercise greater control than it does at present over Indian expenditure or the increase of it?—I think that the general control of Parliament over Indian expenditure and over Indian matters generally is most valuable, and I should be very sorry to see India removed from that general control, but I must say that I think that when Parliament interferes in particular matters, it generally interferes on very insufficient information, and I am afraid that it does rather more harm than good. I have the highest opinion of the value of the general control of Parliament over Indian expenditure; I think, I may say, I have almost a terror of its interference in details.

2184. You think it is ignorant, like the Secretary of State?—Taking Parliament as a whole, I do not think it has sufficient information to enable it to interfere in details; consequently it may be led away by sentiment or by statements which it has no means of verifying.

2185. And the difficulty is to get men of knowledge and authority who would have sufficient knowledge, and who would be a good fulcrum for increasing the power in the financial element of the Government?—That is the difficulty.

2186. But there is no detailed suggestion you have to make to us to remove that difficulty?—I have not. I think it is of great importance. If the present Commission should be of that opinion, it should say that financial considerations ought to have great weight attached to them in India. I suppose everybody would agree to that. The difficulty is in seeing that it is carried out in practice.

2187. I suppose we should like to take a step further, and ascertain whether you are able to make some tangible suggestions. We should like, from your great experience, to know whether you have any suggestions?—I gave you the only suggestion that occurred to me, and I am not prepared to press it, for I see great difficulties in the way.

2188. But you acknowledge the existence of the evil and that it is a considerable one?—Yes; on the whole

I should like to see more weight attached to financial considerations in connexion with Indian affairs, and I should support any change that would have that effect, unless it gave rise to evils of equivalent magnitude.

2189. Do you think it is an increasing difficulty or a diminishing?—It is not diminishing.

2190. (*Chairman.*) When you were speaking of strengthening the information of the Secretary of State, you hesitated, as I understood, to make any recommendations as to the Council; but you wish to see some Indian experience brought into the Finance Department of the India Office?—I have had a great deal to do with Sir Henry Waterfield, and my relations with him have been entirely satisfactory. I do not think you can improve upon his knowledge of the subject.

2191. I quite accept that view with regard to Sir Henry Waterfield; it is one which we should all share; but I am speaking generally. do you think that the department wants or should have some actual Indian experience?—I think it would be desirable, certainly.

2192. (*Sir William Wedderburn.*) I think you mentioned that as Financial Member of Council you recorded a dissent in the matter of the Mauritius and Zanzibar cable?—I think it was mentioned in the despatch that I did not agree to the proposal to pay that subsidy from Indian revenues, because I thought it was not a proper object for Indian expenditure according to the custom that regulates Indian expenditure. I am still of that opinion.

2193. On the ground that it was not equitable that India should pay?—Yes; I think India ought not to pay for a matter that ought to be left to the Home Government.

2194. But when the Secretary of State decided that India must pay there was nothing to be said against it?—The majority of the Council in India were favourable to India paying.

2195. Are these cases of the doubt whether India should fairly be made to pay the subject of correspondence between the Secretary of State and the Governor-General in Council?—Oh, yes; they would be.

2196. But, if you thought that the expenditure was either illegal or inequitable, the Government of India would have the opportunity of putting in a protest?—I suppose they generally would; the Secretary of State might decide here without referring to them that India should bear a certain charge, but they could afterwards protest against it if they liked. Certainly they could address the Secretary of State on any question relating to Indian affairs.

2197. Because, of course, India has ultimately to find the money?—Oh, yes. The Government of India can take up any of those questions and express their opinion upon them.

2198. There were one or two other items. I think this Zanzibar and Mauritius cable stands at 18,300*l.* Is not that the cost of it?—To India?

2199. Yes?—It was a yearly subsidy. I do not know what it actually worked out at.

2200. (*Mr. Caine.*) I think it was *Rs.* 30,000? That would be pretty near it, would it not?—That would be about 17,000*l.*

2201. That is my impression; I am not quite sure?—It was something like that, I think.

2202. (*Sir William Wedderburn.*) I should like to ask whether the following items have been the subject of correspondence with the Government of India and of protest from the Government of India: the Indo-European Telegraph, which appears at 45,700*l.* These figures are, of course, merely roughly to indicate the thing?—Is that the Indian expenditure on that telegraph line?

2203. Yes?—No doubt there has been a great deal of correspondence about it; but I am not familiar with it, and cannot give you any information about it.

2204. Then there is the Red Sea Telegraph which India pays for?—They were all settled before my time, I think; they were accomplished facts, I think; I cannot give you any information about that either.

2205. Then the Persian and China charges?—I have had something to do with the correspondence about the Persian and China charges. I think there has been a reduction in them the last few years.

2206. I think that is shown at 97,900L.—Yes, you will see the missions in China are under the Imperial Government, and India pays a certain subsidy towards the cost of them and the same thing happened as regards Persia, and, I think, besides that India pays certain charges which are incurred in Persia, and have been sanctioned in recent years.

2207. Then for Her Majesty's ships in Indian seas there is 151,000L.—Is that the old charge or the new one? India pays for and gets the services of certain gunboats and, I think, ships of war principally in the Persian Gulf, and pays a certain sum of money.

2208. Of course we are not dealing with the question of payment. My object in referring to this is to see what is the nature of a possible check upon illegal or inequitable charges being made upon India?—The Government of India might object to any of these charges.

2209. It has the opportunity in correspondence of objecting?—Oh! certainly.

2210. But whatever the Secretary of State decides in the matter is final, and there is no further protest to be made?—Well, there is nothing further to be done; he is the final authority.

2211. There is no means of formally bringing to the test whether the Government of India is right or the Secretary of State is right, supposing they differ?—I think there is no authority above them except Parliament, and I do not see how the Government of India could appeal to Parliament.

2212. Then one or two other items of a similar character, Cooper's Hill College, and the dealing with lunatics from India, questions of outfits. These are matters which, as I understand, the Government of India has the opportunity of protesting against in case it considers they are not fair charges?—Yes.

2213. So that the question is not merely a matter of detail but what I understand you consider is wanted is some strong authority to check and control any large sums that have to be paid?—Well, not so much what you refer to as that I should like to see some influence brought to bear which would secure greater weight being given to financial considerations by the Government of India.

2214. Yes?—Looking to the very peculiar conditions of Indian finance.

2215. The Chairman asked you to a certain extent to draw a parallel between the position of the Chancellor of the Exchequer and that of the Financial Member of Council, and you stated that theoretically the position of the Finance Minister was strong, but practically it was weak. I thought that was what you stated?—Yes; I think generally that would express what my evidence was.

2215a. And that the three authorities that had to be taken into consideration were, first, the Viceroy, who has a very predominating influence in the Government of India?—Certainly.

2216. Am I right in saying that it is a personal influence in the sense that the future of each member of the Council depends in a very great measure upon the goodwill of the Viceroy?—I have no doubt that has something to do with it.

2217. At the end of the five years of a member of Council's service, he may become a Lieutenant-Governor if the Viceroy likes him, or he may have to retire upon a very moderate pension if the Viceroy does not incline to appoint him as Lieutenant-Governor?—No doubt the Viceroy is in a very different position from the other members of the Council. He is a man generally of very much higher social position; probably an English statesman; he is in confidential correspondence with the authorities at home, and to a great extent the official future of the other members of Council does depend upon him, no doubt. He has power of influencing it, so that altogether his power with the Council is very great.

2218. And if he is economically inclined he can during his viceroyalty do a great deal to check expenditure?—Oh! no doubt. The Financial Department, of course, is always economical; perhaps too economical in some cases, and if the Viceroy is inclined, if he understands finance or is inclined towards economy and supports the Financial Department, no doubt the business of the country would be conducted most economically; there is no difficulty whatever in such a case.

2219. I suppose you would say that when Lord Northbrook and Lord Ripon were Viceroys there was an inclination towards economy?—I do not like to give an opinion as regards particular Viceroys. I served under Lord Northbrook and under Lord Ripon too; I would rather not.

2220. But the Viceroy being in charge of the Foreign Department, if he is satisfied that some military expedition or operation is necessary, practically, that means that he will see that the necessary funds are obtained?—Oh, yes; I should say so; if the Viceroy makes up his mind to have an expedition, I do not see how he can be stopped.

2221. So that in that case the position of the Financial Department depends practically upon the Foreign Department?—Of course, if the Government of India undertakes an expedition, it has to find the funds. The Financial Member of the Council might protest; he might dissent but he would have no power.

2222. But I think you consider that there is not much hope for a protest when a matter has once been decided upon, and that although the Financial Member may object generally to a military policy, he finds it difficult to refuse the funds when it has been decided in the Foreign Department that a military operation is necessary?—Of course if the Council has already decided on a certain expenditure there is nothing more for the Financial Member to do. If the Viceroy decides upon an expedition and the Financial Member of Council protests against it, it would have to come before the Council, and the Financial Member of Council would have to stand or fall by the decision of the Council. When the matter comes before the Council the Viceroy would naturally possess great weight.

2223. The Viceroy, you said, was the first important power in the matter, and I think the second you referred to as analogous to the Cabinet would be the Governor-General in Council?—Yes.

2224. I think I am right in saying that in many respects the Financial Member stands alone as against the whole of the other Members of Council, in respect that he is the one to furnish the funds and the others want to spend funds?—That is the case, of course, that is necessarily the case. The different departments want money, and he has to keep some check upon them, if he can.

2225. So that, though he may be stronger in his department individually as against any particular department, he is not strong enough to resist the whole of the Council?—He cannot resist the majority.

2226. And the general feeling is that he has got to provide the funds for the necessary requirements of the others, so that he finds himself rather in antagonism with the general feeling of the Council?—Of course he must have continual controversies going on as regards particular items of expenditure, that is inevitable.

2227. And therefore, supposing the Viceroy is inclined to some military operation and the Military Member of the Council is not actively opposed to the Commander-in-Chief, there would be at once a very large majority against the Financial Member?—Oh, yes, of course.

2228. That is the Governor-General in Council. Then there comes the third point, namely, with reference to the control through Parliament or anticipated interference of Parliament, which I think the Chairman explained is one of the principal controlling powers as regards expenditure in England. You have said that you have not got any definite scheme to propose, but you think that the general control by Parliament is very valuable?—I think the general control of Parliament over Indian affairs is very valuable to prevent the Government from becoming too despotic, too bureaucratic. I think it produces a more liberal tone, the fact that the ultimate authority rests with Parliament; and that is very valuable.

2229. But the great difficulty is that Parliament has not sufficient knowledge of Indian affairs, and that its interference is rather an inconvenient interference with details than a wise well-informed general control?—I do not think I said that that actually was the case, but I said I was afraid that if Parliament interfered very much with Indian affairs it might interfere in details with very insufficient knowledge, or what seemed to me insufficient knowledge.

2230. I think that those who ask questions in the House of Commons upon Indian matters fully realise

the inconvenience of the present system and would be glad if something better could be established to get a well-informed control. Would not a Standing Committee of the House of Commons for Indian Affairs which might in a mature and systematic way exercise financial control, receiving the reports of the different authorities and considering them, be a move towards making this general control you speak of effective?—Well I have not had the experience which would enable me to say what the value of such a Committee would be as regards Indian affairs—a Standing Committee of the House of Commons; my prepossession would be that it would not be a useful body, but I do not know enough of Parliament to give a decided opinion.

2231. I think you have expressed an opinion—not on this occasion—but I think I am right in saying that you think a well-trained public opinion would do a great deal to support the Financial Member in any desire for reasonable economy?—I think if a well-informed public opinion could be brought to bear on Indian financial matters it would be a good thing certainly.

2232. But would not discussions in Parliament by those who had all the facts before them and were responsible in the matter, be a step towards training public opinion?—No doubt, and if members of Parliament made themselves thoroughly acquainted with Indian financial matters, and Indian financial questions were discussed in Parliament by such persons, that would be a good thing.

2233. But have you realised the extreme difficulty of any private member of Parliament becoming acquainted with these questions, unless there is some organised arrangement for having these matters discussed?—I am certainly aware that there is great difficulty in any private person, Member of Parliament or other, becoming thoroughly acquainted with Indian financial affairs; there is great difficulty.

2234. So that if you got some organisation which would train Members of Parliament to the study and understanding of Indian financial questions that would be a step in the right direction?—So far as that goes that would be a good thing; but I thought your proposal was for a Standing Committee that would actually control Indian affairs. A Standing Committee or body of the House of Commons that would merely occupy itself with intelligently inquiring into Indian affairs, and making itself acquainted with Indian affairs would certainly do good; there is no doubt about that.

2235. I am not suggesting a committee which would have any power in itself; it would be a committee which would inform the House of Commons, report to the House of Commons generally, that was the nature of the suggestion?—I should think it would be a very good thing, especially as regards Indian affairs, if, when Parliament had to do with them it appointed a Select Committee to report from time to time upon particular things; that I think would be very good. It would be most dangerous if Parliament interfered without first taking the report of a Select Committee or of some other special body.

2236. (Chairman.) We are confining ourselves to financial questions?—What I would strongly urge is, that if Parliament wishes to exercise its control in greater detail it should always appoint a Committee or a Royal Commission to enquire into the matter beforehand.

2237. (Sir William Wedderburn.) That was what I was pointing to, namely, a Committee of the House of Commons which should specially deal with these matters, and especially the annual financial statement which would naturally be referred to them for their consideration?—I do not know enough of affairs in the House of Commons to give an opinion upon it. But my prepossession is against a Standing Committee. I quite see the advantage of having a Select Committee appointed on a particular question from time to time. If Parliament has got to deal with Indian affairs, I think it is absolutely essential that it should deal with them in that way; that is, appoint a Committee for a particular purpose, and act upon the report of that Committee.

2238. My present questions, of course, refer to the means of carrying out an effectual financial check and control. That is what I am trying to arrive at, because our difficulty is to obtain a well-informed and mature decision from the ultimate authority of Parlia-

ment, which it appears to me is the only power capable of exercising this control finally. At present the East India accounts are put in in the first weeks in May, are they not?—Into Parliament?

2239. Presented to Parliament?—It would be about that time, I think.

2240. They are generally not dealt with until the end of the session?—Yes, that is my experience.

2241. And you speak with great respect of Parliament; but from your experience of Indian finance, you say that they are not very effectively dealt with when they are dealt with at the end of the session?—I should say the discussion was not of any value at all. It is the right thing that the account should come before Parliament, but I cannot see that the discussions in Parliament, as a rule, on the Indian finances, the yearly discussions, are practically of any value.

2242. They are not practically of any value?—I should say not.

2243. And in order that Parliament may do its duty by India, there should be some fresh re-organisation of the whole matter?—I said I could not suggest a new system.

2244. I am not asking for a special scheme; but is not the financial control now exercised by Parliament practically useless?—I would not say it is useless, because it is always there in reserve, but it certainly is not very efficient or prompt.

2245. Not directly useful?—No; and it is not prompt.

2246. And I think these accounts, when they come in, the East India accounts are called the Indian Budget colloquially, but it is not the Indian Budget really. The East India accounts upon which the Resolution of the House of Commons is passed are the accounts for the preceding year, that is to say, when the House of Commons dealt with the East India accounts this year, 1895, it was the accounts up to March 1894, I think?—Yes.

2247. Those were the accounts that were really dealt with, 1893-94?—That may be.

2248. With a revised estimate of 1894-95, and a prospective estimate for 1895-96?—Yes.

2249. And the only resolution passed had reference to the accounts of 1893-94. The Chairman has pointed out the very great value and importance of the check exercised by the Auditor-General through his report to the House of Commons, and that it is very valuable; but I think you are of opinion that the analogous check that has been established for India through the Comptroller and Auditor-General is of practically no value at all, because the day-to-day audit has already done whatever check is wanted of the superior officer over the inferior officer; am I right?—I should say so. That generally would be my opinion. The day-to-day audit I consider a sufficient check. I do not say it is a perfect check, but it is a good check.

2250. And that this Appropriation Audit, or annual Audit, is quite immaterial as being any check on the expenditure?—For practical purposes I did not find it of any value when I was in India, but it brings certain facts into a focus and records them, and possibly it may be of some use in the India Office. It was not of much practical value to me.

2251. For administrative purposes it may be valuable, but for check and control it is not valuable?—No, I cannot say it is of much value; I do not think it is.

2252. So that there is an immense distinction between this audit by the Auditor-General in England, which has been pronounced by high authority to be so extremely valuable, and this audit in India, which you say is practically of no value at all; and does not the cause of that difference arise from this single fact, that the audit in England is carried out by the ultimate authority, the representatives of the taxpayers, exercised over the highest executive authority, whereas this audit in India is only the audit of one executive authority by another and subordinate executive authority?—I do not go with you there. In England Parliament grants supplies and passes the estimates, and it is necessary to report to it how the expenditure has been carried out. In India the Government grants supplies to the different departments and passes the estimates, and it is necessary to report to it how the expenditure has been carried out. I do not think there is that defect in

the Indian system. If you say, "Oh, but over and above and beyond the Indian Government there is Parliament, and it is necessary that Parliament should know from time to time how Indian expenditure has been carried on." I do not think that the way for Parliament to get that information would be the report of the Auditor General. I think it would be by appointing a committee or commission to inquire into Indian financial affairs from time to time.

2253. You mentioned that some seven or eight years ago (I think it was 1888-89) a change was made in the audit system, and that, whereas before the sanction of the Governor-General in Council was considered sufficient, the Auditor General had then to report whether the necessary sanction of the Secretary of State had been obtained?—Yes, before that date the sanction of the Secretary of State was necessary to certain classes of expenditure, but the audit officer was not required to look to that; the Financial Department looked after that.

2254. Now the Auditor-General's duty has been extended to certifying the Secretary of State's sanction?—The Audit Officer has to certify that the necessary sanction has been obtained. If the Secretary of State's sanction has not been obtained, he has to bring the matter to notice.

2255. But if the Secretary of State's sanction has been obtained that is final, and he makes no further inquiry?—That is final of course.

2256. That is final?—Well, I am not sure that an Audit Officer would pass a charge which was contrary to law,—contrary to the Act of Parliament. I am rather inclined to think if it was clearly and distinctly contrary to law, he would certainly bring it to notice; I think he would.

2257. In those six or seven items which I referred to at the beginning of the questions that I asked you, the Mauritius cable and various others, those were cases in which there was a difference of opinion as to the propriety, and perhaps legality, of the charge?—I do not know that there was any question as to the legality of the charge. I have no recollection of any question about the legality of the charge.

2258. But I suppose there might arise questions of legality, considering that the power of the Secretary of State is purely statutory?—I imagine there might.

2259. Therefore, for example, under s. 55 of the Act of 1858, the consent of both Houses of Parliament was required for expeditions beyond the frontier of India, and there there might distinctly a question of legality arise as to whether the revenues of India could be employed upon such an expedition without that consent?—I suppose such a question might arise.

2260. And very large sums would be involved?—No doubt.

2261. Therefore the real check that is wanted is not upon the Local Governments or upon the Government of India perhaps, so much as upon the Secretary of State. Where these big sums are being spent out of the Indian revenues under the orders of the Secretary of State, at present there is no machinery to check him at all; is not that the case?—Well, I suppose he is ultimately responsible to Parliament.

2262. But there is no machinery for bringing these questions before Parliament, and there is no machinery in Parliament to deal with those questions?—These are points upon which I cannot give you any assistance.

(*Mr. Caine*) You can bring them before the House on the motion of private members.

2263. (*Sir Donald Stewart*.) The Secretary of State has no power to incur expenditure without the sanction of his Council?—That is the case. The Secretary of State cannot incur expenditure without the approval of his council.

2264. (*Sir William Wedderburn*.) When I speak of the Secretary of State I mean the Secretary of State in Council. He has no financial power practically apart from it?—No, not over expenditure.

2265. There have been very large sums spent, I think, speaking roughly about, one million a year, upon frontier expeditions for the last 10 years or so?—There have been large sums spent within the last 10 or 12 years.

2266. Has this question of the legality of those sums under section 55 of the Government of India Act been brought to the notice of the Secretary of State or of Parliament in any way that you are aware of?—I am not aware of the question having been raised; I do not think the question has ever been discussed by the Government of India. I have no recollection of the question of the legality of this expenditure being discussed. I think that it is the case that these expeditions beyond the frontier have been going on at intervals for an indefinite time. I mean to say there were expeditions very many years ago, and I never heard that the question was raised that the expenditure was illegal.

2267-8. But these are the real big expenditures that are within the control of the executive, whether the Secretary of State for India or the Viceroy and Council, apart from the heavy charges that are of a necessary kind, interest on debt, and exchange, which are not within their control. These expeditions are a sort of voluntary expenditure?—Well, I would hardly say that. In the last 10 years the amount expended on expeditions has no doubt been high, especially if you take in the expenditure on the Chitral Expedition; but it is an expenditure which is incurred once for all, you know.

2269. But has it not been always recurring year by year for some time past?—It has been going on year by year and in rather an aggravated form, in recent years, but I suppose the frontier tribes will be exhausted in time, and then it will stop.

2270. (*Mr. Caine.*) Occupation charges are going on?—If the country is occupied there are certain charges that go on; but they are not year by year of the same magnitude as the original expenditure.

(*Mr. Caine.*) No, of course not.

2271. (*Sir William Wedderburn.*) Now with regard to the phrase you employed of the finances being fairly buoyant?—The ordinary revenues are decidedly buoyant.

2272. There has been within the last ten years a considerable addition to taxation?—There has been; oh yes, certainly.

2273. Am I right in saying about six millions?—I think it would be about that, speaking roughly.

2274. And that the increase from land revenue in the last ten years has been about four millions?—I can not say exactly what it has been without going into the figures, but the increase in the land revenue has been large. I suppose your figure includes the land revenue of Upper Burma, which is something considerable. I do not fancy it will be quite so much in future years, as the settlements are mostly over I think. However, I cannot speak positively upon the subject, but the increase of land revenue in recent years has been large.

2275. I think I am right in saying that by far the larger proportion of the increase in the land revenue is not from extended cultivation, but from enhancement in the value of land already in cultivation?—There I cannot give you any information at first hand. You had better get it from somebody else.

2276. (*Mr. Naoroji.*) Do you remember Major Baring, now Lord Cromer, having said in 1882:—“It has been calculated that the average income per head of population in India is not more than Rs. 27 a year; and though 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 the tax-paying community is exceedingly poor.” I understand that the calculation by which this result was brought about was done by yourself?—Yes, I did make a calculation of that sort.

2277. That calculation is now in the possession of the Government of India?—I imagine so.

2278. It is not in your possession?—It is not in my possession.

2279. You cannot produce it?—If I had it, I would not produce it without the permission of the Secretary of State.

2280. (*Sir William Wedderburn.*) But you can make the calculation over again?—I am afraid I could not, because I have not the materials.

2281. (*Mr. Naoroji.*) With the same data anybody else can?—With the same data. But I will explain how that calculation came about. I was engaged in making certain inquiries for the Government of India, and in the course of those inquiries I had to make use of data collected by the Famine Commission as to the produce of the different provinces, and about that time Sir Richard Temple read a paper before the Institute of Bankers in which he calculated the average income per head of the population of India, and he used the results given by the Income Tax in the two countries, and he calculated that it was Rs 10 a head (I am speaking from recollection)—that the income of the people of India was Rs. 10 a head; and as I had then certain data at hand, I thought that I would make the calculation (the Government did not ask me to do it) and see what result I should arrive at and compare that result with Sir Richard Temple's figures. My calculation worked out 27 Rs. a head; so that there was a considerable difference in the result of the two calculations. Of course if you ask me what value I attach to that calculation, for practical purposes, I can only say that I do not attach much value to it; but that result, Rs. 27 a head, is not inconsistent with what I know of the general condition of the people of India. If you will take it from me, the money incomes are extremely small; there is no question about that. Various men have calculated the money income for different countries, England, Ireland, and elsewhere, but I look with hesitation on these calculations, and I look with still more hesitation on the result of my own calculation for India, because I had not sufficient data. If anybody wants to convince himself that the income of the people of India is small—the average income per head of population—if he will look first of all at the tables of wages which, I think, are published by the Indian Government and then look at the results of the Income Tax in India, he will satisfy himself that the money income of the people of India is very small indeed. I know of that being the fact; but as to the Rs. 27 a head, whether it is a little lower or a little higher than it ought to be, I certainly cannot pledge myself.

2282. (*Sir James Peile.*) Would you consider a calculation of that kind of any weight as proving the declining prosperity of the people when set against such evidence as the enormous increase of trade and the huge import of the precious metals?—I myself have no doubt that the money income is very small. It may have increased in recent years. A friend of mine the other day told me he had looked into the matter as regards the men who had charge of his horses, of whom there were five. They were paid 3 rupees 8 annas a month, and that was in a station where there was a railway and had been a railway for some years. 3 rupees 8 annas a month would be about 4s a month, that is a shilling a week, or about twopenny a day.

2283. It does not by any means follow that people are starving because they are poor?—Not in the least. You must recollect that the cost of the necessaries of life is very much less in India than it is in England.

2284. (*Mr. Cairne.*) When you talk about 27 rupees per head, do you mean actual money per head, or do you mean the produce of the district consumed by themselves?—I calculate the income in money.

2285. You would include that?—Yes, including everything.

2286. What they get from their bits of land, and so on?—Yes, it includes everything. I certainly would base no practical measures upon a calculation of that sort. At the same time, I have not the slightest doubt that the people of India are very poor.

2287. (*Mr. Buchanan.*) How long ago was the calculation made?—In 1881 or 1882, I think.

2288. (*Mr. Cairne.*) Are they much better off now?—There you get into a very difficult question. I have not the slightest doubt that the total wealth of India is increasing year by year, at the same time the population is increasing, and how it would work out in a particular province, or how it would work out in a particular class I cannot say; it is a most difficult question. I think the general tendency is to overlook the improvement that has taken place in the condition of the population. You see great hardships; we see them in this country; people say that times are very bad, and employment scarce; but if you look back 40 or 50 years and calculate what things then were, you will find there has been a very great improvement in this country.

2289. (*Sir Donald Stewart.*) Do you mean by 27 rupees a head, for every man, woman, and child?—The average, yes.

2290. Would you consider, then, that a man with a salary of 16 rupees a month was a poor man?—A man of the lower classes with 16 rupees a month in the position of a labourer in the rural districts would be, I might almost say, rolling in wealth; extremely comfortable, that is quite four times the income of many of them.

2291. Take a man and his wife and five children?—That is the average; of course, with 16 rupees a month a labourer in the rural parts, I think, would really not know what to do with his money.

2292. (Sir Ralph Knox) With a family?—Recollect they live most cheaply and economically. There is no people who live so cheaply and economically, and their wants are very slight. You see, they do not want much in the way of a house; practically nothing in the way of firing; very little in the way of clothes; they are a most frugal and economical people.

(Chairman) We must take care to remember that reservation which you made just now, namely that in speaking of the average income of the population as 27 rupees it does not mean that a man and his wife and five children have each of them 27 rupees?

2293. (Mr. Naoroji.) What I want to know is whether this calculation exists in the records of the Government of India or not?—No doubt it exists somewhere.

2294. And it can be produced by the Government of India?—I suppose if they like to produce it they can. I have no objection; I am perfectly prepared to be examined on it; but I think you will arrive at the conclusion that the income of the people of India is very small without getting that; I have no doubt about it.

2295. I have not been satisfied with this calculation of 27 rupees. I myself have made a calculation, as perhaps you are aware, and I came to the conclusion that the average income is 20 rupees. Now that made a very great difference, and I asked Major Baring to let me see the other calculation, because I know where the mistake was likely to be made. I still wish that the Commission would ask for and obtain that calculation?—I have nothing to do with the report; it is the property of the Secretary of State, and of course, as regards different men arriving at different conclusions, as I say Sir Richard Temple, who also had a great deal of information on the subject arrived at 10 rupees a head; and that shows that these calculations must be received with reserve.

2296. We will make the necessary reserve for it, but we should have the opportunity of examining them. Now the next thing I want to ask is—we have said a great deal about the weakness of Indian finance, and how difficult it is to make both ends meet, and so on, I now put down the question whether a portion of the expenditure administered and managed by both Governments—the Secretary of State and the Government of India—is incurred on behalf of Europeans?—Yes, a considerable portion.

2297. For every European employed a native is deprived of what under ordinary circumstances would have been a comfortable living for him in his own country as is the case here?—I am not sure about that.

2298. Is not one native Indian displaced wherever a European is placed? Take, for instance, a Judge of the High Court of Calcutta. If he is an European, he displaces an Indian; a native would be there if it were not for the European?—On the other hand if there were no Europeans in India there might be no High Court in Calcutta.

2299. I am not now entering into the question of the merits of the employment—English or native—I am only asking the economic question whether it is not a fact that the European displaces the Indian who would have got that place?—No doubt, other things being equal, if an European is employed there is a native unemployed.

2300. As to the policy and the merits of it, that we shall discuss at some other time. Now, besides that—that loss which arises through the European displacing the Indian—there is also this, that whatever the European wants in this country, or whatever pension he draws in this country, and everything that is spent in this country out of the revenues by the Secretary of State for India, is so much an annual drain from that country, is it not?—Well, it is money earned in the country and spent out of it no doubt.

2301. And in the whole arrangement of the Budget and of expenditure the Indians themselves have no voice

whatever?—Of course, they have no direct and immediate voice; but there is no doubt that the Government of India does pay a certain attention to public opinion in India; every Government does.

2302. But they have no direct voice in the matter?—No direct voice as far as I can see

2303. By the Act of 1861 (19), without the permission of the Governor-General no member can introduce any measure (which virtually amounts to exclusion) about matters affecting the public debt or public revenues or for imposing any charge on such revenue, or the discipline and maintenance of any part of Her Majesty's military or naval forces. This means that, as far as the spending of our money is concerned, the Legislative Council is simply as if it did not exist at all?—I do not think the Legislative Council as it is now constituted, has no influence, but it has not much direct influence upon expenditure.

2304. The Legislative Council is of course the primary source and the authority for expenditure. It is in the Legislative Council that the Budget of India is settled?—No, it is not passed in the Legislative Council.

2305. It is first passed by the Executive Council, and then it is legalized?—No, it is never legalized at all. It is merely read and discussed.

2306. Then it is so much stronger on my side—the Legislative Council has no voice?—It has power of discussion. The Budget is read in the Council, and they may discuss it, but they have no other power, and if you ask me I tell you it would be impossible to give it the power of interference.

2307. That is a different thing. I only wanted to say that the people have no voice whatever in it. All things which shall be done by the Secretary of State shall have the same force and validity as if this Act (1861) had not been passed. This gives full arbitrary power to the Secretary of State to spend what money he likes from the Indian Revenue?—I should not say it was quite arbitrary, but no doubt the control of the Indian Revenues is entrusted by Parliament to the Secretary of State.

2308. Then by the Act of 1892: No member shall have power to submit or propose any resolution or to divide the Council in respect of any such financial discussion, or the answer to any question asked under the authority of this Act or the rules made under this Act. You have already answered that the Legislative Council have no power whatever?—Only the power of discussion; no power to interfere with it directly or indirectly.

2309. I do not suppose this country would submit for a single day to that system of government?—They have been accustomed to something very different.

2310. Sir Henry Fowler has said that in this country the people pay for the expenditure on State taxes, 2*l.* 1*1s.* 6*d.* per head per annum. In India 2*s.* 6*d.* taxes are paid. Well, when you take the revenue really, it is more than 2*s.* 6*d.*?—Possibly; it is not very much.

2311. Now the whole of this 2*l.* 1*1s.* 8*d.* returns to the people in this country. It comes back in expenditure to the people themselves?—I suppose the greater portion of it does.

2312. It cannot go anywhere else?—There might be some expenditure abroad.

2313. Abroad, yes, but that is very insignificant. I am talking of the ordinary expenditure. If that sum were allowed to India the production of the wealth of the country, from which the State has to draw, would not be impaired, but on the contrary, as in this country there would be increasing prosperity, and not only greater trade for British produce, but the State would be able to raise large revenues as it does here, because the fund from which the revenue is raised would remain intact in the country?—I think you exaggerate the value of that. I do not think, if the Government raised 100,000*l.* in this country, and spends it in this country that the wealth of the country remains the same as before by any means.

2314. It does not go out of the country?—No, but the thing which was purchased with that 100,000*l.* goes out. Whatever was purchased with that 100,000*l.* goes out of it, it is consumed.

2315. But that is enjoyed by the people themselves, whatever is purchased?—I do not think if the Government raised 100,000*l.* to buy steel rails that, if they

purchased them abroad, the country would have lost 100,000*l*. I think the country might be said to have lost the profit on the transaction, something like that—a small per-centage of it.

2316. (*Mr. Caine.*) And the wages?—The men who would have made those rails which sold for 100,000*l* we must assume, would turn their hands to something else.

2317. They might be out of work; however it is not worth while discussing?—It is not a question of losing the whole of the money—there is a loss, but it is of what you call the profit; it is a per-centage of the total.

(*Chairman.*) Are we not getting somewhat outside financial machinery in this last question. I do not want to suggest you should stop if there is any point that bears fairly upon the branch with which we are now dealing; but do not you think the question you are putting is as to what happens under a certain system of policy.

(*Mr. Naoroji.*) Yes. If I am able to go into other branches afterwards I am quite willing to stop here and ask no more questions. We shall have an opportunity of examining Sir David Barbour again on other branches.

(*Chairman.*) Of course we know that what we have to take up next is the progress of expenditure, and it will be a question then as to whether the progress of expenditure includes methods of raising money. The only point to which I draw your attention now is that we are now actually engaged upon the machinery of finance, and it struck me that your questions were getting a little bit outside.

(*Mr. Naoroji.*) My question arose from this circumstance, that we had just now said two or three times something about the weakness of the finances of India, and naturally, therefore, I wanted to point out one particular weakness which is at the very bottom of the whole difficulty, and, if that can be disposed of hereafter, of course I have no objection to postpone these questions; we shall leave them without committing ourselves, of course.

(*Chairman.*) You will admit with me that we should confine ourselves now to what bears upon financial machinery.

(*Mr. Naoroji.*) I may also say that the weakness of finance may possibly not be fully discussed from the finance question being discussed without inquiry being made.

(*Chairman.*) I think I could not commit myself to say that a certain line of evidence will come hereafter absolutely within our instruction; but that would have to be considered. I think we shall agree that at the present moment this line of evidence does not bear upon the branch of enquiry we have got now before us.

(*Mr. Naoroji.*) I am quite willing to abide by your ruling.

(*Witness.*) In case there should be any misapprehension I might mention that what I referred to was the weakness of the system for the control of expenditure and not the weakness of the finances or the inability of India to pay its way, the latter is a separate question.

(*Mr. Naoroji.*) I rather understood it was the weakness of the finances on account of the peculiar instability and unsteadiness of the finances. Then I will postpone that. Then, also, in the same way, the apportionment of charges is a future consideration.

(*Chairman.*) That will be a distinct subject.

2318 (*Mr. Naoroji.*) That will be a distinct subject altogether. It was said here, I think, that the Government of India was to be considered as analogous to the House of Commons in respect of audit. Is not the independent audit to the House of Commons a distinct check on the disbursement of the Executive Departments, and the report to be made to a higher authority, namely, the House of Commons?—I am not sure that I caught the question exactly. Perhaps you would repeat it.

2319. The independent auditor here reports to the House of Commons, while the auditor in India reports to the Government of India, and it was said that the Government of India was analogous to the House of Commons. Now, is there not this difference—that

the House of Commons is a body that represents and draws its authority from the people of the country, while the Government of India is only an executive body, like the departments here?—I think, when I said that the Government of India represented the House of Commons in this case, and stood in an analogous position, I meant that in the one case the House of Commons sanctioned the expenditure, and that in the other case the Government of India sanctioned the expenditure, and that so far as the sanctioning of the expenditure goes, the position was analogous. I never meant to say that the Government of India was elected by the people of India.

2320. Then the consent of the House of Commons for the expenditure does not mean that it also is the executive body which carries out the expenditure, but it is the department of the Cabinet which is the executive body?—I understand the House of Commons is not the executive body that carries out the expenditure.

2321. So the report and audit made to the House of Commons is distinctly a report to a higher authority than the executive body?—Higher than the body that administers expenditure; yes, it is.

2322. While in the case of India the audit is reported only to the executive body itself?—I do not quite agree to that. It is reported to the Government of India.

2323. To the Government of India and to the Secretary of State which are both executive bodies?—The Finance Department is hardly an executive body. It is possibly as regards some matters, but not as regards most.

2324. Would it not, therefore, be an improvement that there should be in some shape or another, as has already been suggested by Sir William Wedderburn, an independent audit, and an independent committee in Parliament which should consider Indian affairs so as to make the House of Commons familiar with the necessities of Indian affairs?—I do not think that an independent audit is necessary. I may be mistaken, but that is my opinion. If there were some means by which members of the House of Commons, or a certain number of them made themselves familiar with Indian expenditure, and could give information to the House upon the subject that would undoubtedly be a good thing; I assent to that general proposition.

2324a. (Mr G. L. Ryder.) There is one point I should like to ask you with regard to the audit which you have called the day-to-day audit by local officers throughout India. Do they confine their examination to the question of the authority for expenditure?—They take up everything connected with it. There must be a proper voucher for the expenditure; it must be within the Budget limits, it must be sanctioned by the proper authority, and so forth—a complete audit.

2325. Do they beyond that consider it their duty to draw attention to any points affecting financial order?—They would notice any irregularity.

2326. For instance, if they noticed that a considerable amount of money had been advanced from time to time to a contractor, and had not been accounted for, and that accounting for advances had fallen much into arrear, is that a sort of thing they would report?—That would be in the Public Works Department with which I am not so familiar. But I understand that it would be within their province to say "The advances are very large; what is the reason for this?"

2327. And again, say, if they noticed that there were arrears of revenue which had not been recovered for a long time, would they think it their duty to notice that?—That would not be so much within their province, but I think they would notice it if there was a falling off in revenue. They would not know that there were arrears of revenue. It would not come before them, but if anything of the sort did come to their notice—any falling off in the revenue—they would probably call attention to it. The question of the collection of revenue rests with the Revenue Board and the Revenue Officers.

2328. And if they noticed that there was a great accumulation of stocks, or a sudden depletion of stocks, is that a thing they would call attention to?—That would be in the Public Works Department. Yes, I think they would consider themselves bound to notice that.

2329. If they noticed that goods were being obtained by private arrangement from the contractors instead of by public advertisement?—Well, the general rule is that we do not purchase stores in India. If they

saw that stores were being purchased in India which ought to be got from England—which is rather the cheaper way of getting English stores—they would certainly call attention to that.

2330 Really the purpose of my question was to find out whether they cover the same field that our own Comptroller and Auditor-General does?—I think that so far as the audit goes they do; but as regards these rather subsidiary matters I do not know that the information comes before them in such a form as to make their interference always possible or effective. There would be some other department which would deal with that; but if they found anything wrong they would no doubt bring it to notice.

2331 (*Sir Ralph Knox*) You said that whenever a plan was recommended or under consideration by the Council, it was open to the Financial Minister to object to it on financial grounds, to enter a protest?—A dissent. It is open to any Member of the Council to dissent on any subject or any question.

2332. Of course, making a formal protest on financial grounds is a somewhat delicate and invidious thing to do if the Minister stands alone?—It is.

2333. And is it usual when any plan involving an increase of expenditure is under consideration, that with that plan or course recommended by the Council, the Financial Minister sends home a Financial Report explaining the exact financial effect of such a proposal in his view, and the means, either easy or difficult, of meeting that expenditure? Is it usual to do so?—Well, it is usual in referring anything for sanction to the Secretary of State to put forth what the exact financial effect is—I do not think the Financial Member of Council does it. The despatch would come from the Department and have to be signed by the Financial Member of Council.

2334. That is to say as regards the cost of it?—Yes.

2335. Would the despatch at the same time point out the difficulty that might be created in reference to the finance and the revenues of India, supposing such a course should be adopted?—You see that question would only arise in case it was a very large expenditure. Recommendations come home for the sanction of the Secretary of State, where the expenditure is sometimes comparatively small, perhaps only a few thousand pounds, and you could not say such expenditure would really have a serious effect on the finances of India. If it was a very big matter, of course that question would have to be dealt with when you came to meet the expenditure.

2336. Would it be dealt with at the same time the expenditure was under consideration?—Oh, yes, certainly; if it was of sufficient magnitude to require it. If it was only a small matter it might be held with reasonable certainty that there would be an improvement of, say, Rs 400,000 in the revenue every year, and that would be sufficient to provide for this small outlay.

2337. Would it not assist financial control if it were laid down that a report of that kind should always come home from the Financial Department with any proposal for the increase of expenditure from the Finance Department?—It does come home; I mean to say the amount of expenditure does come home—the amount of expenditure is stated. Of course it is understood when you propose expenditure that you are in a position to meet it. If it was a large expenditure, suppose you proposed to increase the expenditure by two millions, you would certainly have to say what tax you proposed to put on, assuming such a thing to be possible.

2338. The Comptroller and Auditor-General now applies the test audit test to all the expenditure?—He has officers who apply the test audit, and I think that that is a very valuable change. It was made at the time the original proposal was put forward for a separate Comptroller and Auditor-General. I think that is a good and valuable change which has worked well. It has brought the different audit officers up to the mark.

2339. And that is in the nature of an independent audit?—That is quite an independent audit.

2339a. Does it go into very minute details?—I fancy, so far as it goes it goes, very fully into the question of audit

2339b. And, therefore, has a considerable moral effect as to the audit?—Yes, it has a very considerable

moral effect of course, because the officers do not know what particular portions will be passed, and I think it is thorough as far as it goes.

2340. And that moral effect, if produced, is one of the most powerful engines for keeping things straight that you could have?—I think so; and that was part of the proposals, and I think that portion of the reform has been very valuable. I have expressed my opinion.

2341. (*Sir James Peile.*) You said the Financial Department of the Government of India was weak in practice, though strong in theory. Do you think it is weaker or stronger than any one of the other Departments?—There are times when it is stronger, but it really depends on the Viceroy for the time being.

2342. The Financial Department has the advantage of the Order that if the Finance Member differs from the rest of the Council, and the Viceroy supports him, the action is suspended, and the question has to be referred to the Secretary of State?—I think I explained that practically that Order was of no value, but at times the Financial Department is strong. It really depends on circumstances. There is not a certainty that it will be strong, but at times it is strong—that is to say, when the Viceroy inclines to economy.

2343. It entirely depends on the Viceroy agreeing or disagreeing with the Finance Member?—It does entirely depend on that.

2344. Therefore the ultimate force is the personality of the Viceroy?—Yes, but there are two forces. The tendency is ordinarily for pressure to be put on the Financial Department to incur expenditure. It is practically pressure. The other departments are always pressing to spend more money, their demands are persistent and continuous. It is uncertain whether the Viceroy will support the Finance Member of the Council or not. If he does not give him support the Financial Department is weak; if he does give that support the Financial Department is strong.

2345. The personality of the Viceroy is not a matter that you can regulate by system?—Not by rules. At the same time I must admit it is necessary to maintain the authority of the Viceroy in the interests of the good government of India.

2346. You said that you think it desirable that the Secretary of State's knowledge should be increased so that greater weight might be given to financial considerations?—I said that if the Secretary of State was to exercise greater control over Indian expenditure, it was very desirable that his information as to Indian financial conditions should be improved.

2347. His control is really the control of the Secretary of State in Council?—When I say the Secretary of State, I mean Secretary of State in Council.

2348. And in the Council there are men of long Indian experience to increase his knowledge?—There are.

2349. Among others, for instance, former Financial Members such as Sir John Strachey?—Very possibly. You observe what I said was, that if he is to exercise control in greater detail it is necessary that he should have greater information. When I said information I did not mean that the ability or the experience of the Members of Council should be increased; I meant that they should be more in touch with the actual financial conditions of the day in India.

2350. But there is no limitation as to what the Government of India may furnish in the way of information to the Secretary of State, or in what he may choose to call for?—Absolutely none.

2351. As a fact, a great deal is supplied?—A great deal. What I say is I think it would be a pity that greater control should be exercised in details unless there was a greater knowledge of what I may call the current financial conditions in India. I think with all deference, perhaps, from the nature of the case, that you do not quite keep in touch with the progress of events there. Information comes in time, but I do not think it comes immediately.

2352. If the Finance Member is overruled he has full power to write at any length he chooses the whole of his views on which he bases his dissent?—He has; but if he is opposed to the Viceroy it is a very serious thing to overrule the Viceroy. It ought not to be done very frequently. It could not be done very frequently.

2353. Still, he sends a long dissent, and that is very probably printed, and perhaps made public?—It might be, of course; it might be made public.

2354. It is occasionally done?—Yes.

2355. A Member of Parliament may move that the papers may be printed, and then they are published in a Blue Book?—He may, and dissents may be published, or he may be told it is contrary to public policy to produce them.

2356. (*Chairman.*) You were mentioning those tables of wages which were published by India. You have given attention to this question, and therefore your criticism would be valuable upon that. Do you consider that they are carefully compiled?—I think they are fairly compiled. You must not suppose there is any very exceptional degree of accuracy in them, but they are quite sufficient for the general purpose, that is, to show that the income of the people of India is small; and further than that you cannot go safely. If you attempt to get more than that, to estimate the income exactly, you break down.

The witness withdrew.

Adjourned until to-morrow at eleven o'clock.

Confidential.

INDIAN FINANCE COMMISSION.

At the India Office, S.W.

FIFTH DAY.

Wednesday, 13th November 1895.

PRESENT :

THE LORD WELBY, G.C.B. (CHAIRMAN) PRESIDING.
SIR WILLIAM WEDDERBURN, Bart., M.P.
FIELD MARSHAL SIR DONALD STEWART, Bart., G.C.B.,
G.C.S.I.
SIR E. W. HAMILTON, K.C.B.
SIR JAMES PEILE, K.C.S.I.
SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
SIR RALPH KNOX, K.C.B.
MR. G. L. RYDER, C.B.
MR. T. R. BUCHANAN, M.P.
MR. DADABHAI NAOROJI.
MR. COLIN G. CAMPBELL, *Secretary.*

SIR HENRY WATERFIELD, K.C.S.I., C.B., recalled
and further examined.

MR. EDWARD RABAN CAVE-BROWNE, C.S.I., called in
and examined.

2357. (*Chairman.*) Would you, Mr. Cave-Browne, describe your position in the India Office?—(*Mr. Cave-Browne.*) I am Accountant-General in the India Office. I was appointed Accountant-General in 1893, but I have had charge of the home accounts since January 1872.

2358. Were you then for the first time appointed to the India Office?—No; I was in the service of the East India Company, and I have been in the Accountant-General's Department since 1860.

2359. Sir Henry Waterfield, we propose to take to-day the question of the financial machinery of the Home Government. Would you describe to us the services on account of which payment is made at the India Office?—(*Sir Henry Waterfield.*) The following are the services charged in the accounts as expenditure against the revenue of the year:—

Interest and management of debt, and payment of annuities in respect of purchased railways, and of interest to existing railway companies.

2360. May I ask are you following the heads of the accounts?—They are heads given in the accounts, but I am following the order which is given in the statement in the explanatory memorandum, which, I think, will be rather more convenient. The next head is—

Payments on account of the civil administration of India, such as passage and outfit of officers, allowances and examination expenses of candidates for appointments in India, &c.

Postal subsidy.

Telegraph charges.

Civil Engineering College, and other expenses connected with the supply of officers for the Public Works Department.

Payments to the Admiralty for the Indian squadron, Indian defence vessels, &c.

Maintenance of Itinatics sent to England, for whom the Secretary of State is responsible.

Charges for the Persian Mission and diplomatic and consular establishments in China, pensions to the families of Maharajah Duleep Singh, and of the Nawab, Nazim of Bengal, &c.

Charges for the India Office, including the Store Department, and for the Auditor's office.

Payments to the War Office on account of the home charges of British troops serving or having served in India.

Payments for the troop service and transport of troops to and from India, &c.

Payments for stores of all kinds for India.

Furlough pay to officers on leave from India.

Pensions of retired officers.

Besides these, there are the following payments not charged as expenditure on the revenue of the year:—

Capital outlay on railways and irrigation works.

Discharge of debt.

Payments to railway companies from capital subscribed, and some minor payments from deposits, &c.

Payments to Her Majesty's Imperial Government on account of sums received in India.

Payments for stores chargeable in India to certain railways, and for stores and other services chargeable to local funds and native states.

Family and miscellaneous remittances.

Payment of bills drawn by the Persian Mission in respect of advances made on Indian account; and a few miscellaneous payments to be brought to charge or recovered in India.

2361. In the explanatory memorandum of the Secretary of State for India on the East India accounts and payments, the account given of the home charges on page 14 is generally divided into heads corresponding to those which you have just described to us?—That is so.

2362. And we see in that account the expenditure under each head of the account for 1893-94 for the revised estimate of 1894-95, and for the Budget of 1895-96, showing a total of Rx. 28,855,900 as the budget estimate for 1895-96?—Yes, that figure is Rx., including exchange; it is 15,739,600*l.*, and the exchange Rx. 13,116,300. The burden of the home charges, in the budget estimate for 1895-96, is Rx. 28,855,900.

2363. You are obliged to state the question in that way, I suppose, because India pays in rupees, and where the costs are paid over here the payment is made in sterling?—The payments are made in sterling, and the cost to the Government of India is in Rx. The burden which the Government of India have to bear includes the exchange.

2364. Is that Rx. 13,000,000 the total sum that the Indian Government has to provide in rupees for exchange?—It is the exchange on the sterling expenditure brought to charge against revenue.

2365. Yes, the exchange; not the actual extra charge of the exchange, but the actual sum drawn which Indian revenue must provide?—I think I must explain that there are two sums, either of which may be called the exchange. In order that the Government of India may pay in the year 1895-96, according to the Budget estimate, 15,739,600*l.* sterling, they will have, taking the rate which was fixed in the Budget as probable, to pay from their treasuries in India Rx. 28,855,900; but the actual burden of exchange which will be borne will depend upon the amount of bills sold during the year, which may not exactly correspond, and probably will not exactly correspond, with the sterling expenditure.

2366. I think I follow you so far, but I see that the Rx. 28,855,900 equivalent of sterling payment consists of the sterling payments with the exchange in Rx. added?—That is quite right.

2367. And those are not the additions, of two sums stated in different coinages?—Entirely so.

2368. Therefore the Rx. 28,855,900 is a composite total?—Yes. (*Mr. Cave Brown.*) No; it is strictly rupees. This is simply a mode of showing that the sterling will cost a certain number of rupees.

2369. May I put it in this way: It is estimated that that 15,739,600*l.* sterling will be paid in London?—Yes.

2370. To meet that charge in India Rx. 28,855,900 will be required?—(*Sir Henry Waterfield.*) That is so.

2371. (*Mr. Buchanan.*) And that Rx. 13,000,000, which you put down to exchange, really is not a sum in the accounts. That is merely because you conventionally

assume that the 1*l.* sterling is worth 10 rupees; you then say that is the extra sum which was due to the fall in exchange?—You are quite right; it is not really Rx, but we have no clearer way of expressing it in the accounts. It is really the amount which must be added to the sterling figure in order to obtain the Rx. which will be equivalent to that sterling figure.

2372. Is it any value in the accounts to keep up the representation of a figure of that sort and a column of that sort?—It is the only way that you can express against each head of the charge what really has been the cost to India of that head of charge. In former days, going back before the year 1884, the accounts showed the charge for exchange under one figure at the end. It was entered as a charge for exchange, so much; but it was found more convenient that it should be known what really was the cost of the Army charges in England, or of the railway charges, or of the interest on debt, and the plan was devised of allocating to each head the figure which, added to the sterling, would represent the number of Rx. that that head of charge cost.

2373. But still it is based upon the old conventional idea that 1*l.* sterling is worth Rx. 10.—Oh, no; I do not think that. If you look at that column, you will see that against every head of charge there is the sterling amount. Then there is appended in the next column, the amount which must be added to the sterling figure in order to obtain the Rx. which the Government of India has to pay against that head, and then you will get the total which is the real rupee charge that the Government of India has to bear for that head.

2374. (*Chairman.*) I think I understand it in this way, the charge in sterling is an actual fact?—That is so

2375. As I understand, the endeavour of the Financial Department of the India Office is to present to the Secretary of State and to Parliament a record of actual facts. The first column shows actual facts, so much sterling is paid out?—Yes.

2376. But in order to obtain that sterling, the equivalent of which has to be derived from Indian revenues collected in rupees, you state the sum necessary to make up that sterling charge in rupees. That turns out to be Rx. 28,855,900. The difference between the sterling and the Rx. 28,855,900 represents the sum in rupees that the operations of exchange require?—That is quite right. I may add that the Home accounts laid before Parliament are entirely a sterling statement, and do not include exchange. It is only in this explanatory memorandum or the accounts of the Government of India that the rupee charge is brought in.

2377. Is not that second column, namely exchange, rather founded on the idea that Mr. Buchanan has just put forward, that 15,739,000 should represent the rupee at 2*s* 6?—No; it is the sterling payment. I do not think I can admit that it is the figure entered as the rupee charge at 2*s.* a rupee; it is the sterling payment.

2378. Quite so. But when you have to add to that the Rx. 13,116,000, making up the Rx. 28,855,900, it is an endeavour to show what the cost of the exchange is?—Yes.

2379. And that cost of the exchange is based upon the idea that the normal value of the rupee is 2*s* 6?—No; I am quite prepared to admit that it is the same thing as if you entered the sterling in Rx. at 2*s.* the rupee, but at the same time I do not say that it is based on that. It is the difference, as your Lordship expressed it very clearly, between the sterling amount and the rupee amount, which has to be stated in Rx. in order to arrive at the cost of exchange.

2380. I think we are very near agreement upon it. I should have thought the statement would have been sufficiently complete if it had simply put the amount of sterling paid, column 1, 15,739,600*l.*, equivalent of the sterling payments in rupees, Rx. 28,855,900. You know what I may call your client's requirements better than I do, but it strikes me that the second column, Rx. 13,000,000, is a little bit of surplusage in the account?—No doubt we could leave it to members of Parliament to make the subtraction for themselves, but they would not see what was the exchange charge for any particular item,

such as the railway revenue account, unless it was put down in that column.

2381. (*Mr. Buchanan*) But is it really conveying any valuable information to members of Parliament or anybody else—is it really representing the cost of exchange to the Government of India, because it is merely subtracting? I take an item at random, and it is just such as the Chairman has said; it is merely a subtraction sum this exchange column?—That is so, but it is the fact that if on railway revenue account you have to pay in England a sterling sum of 5,743,200*l.*, you will also have to add a charge for exchange of *Rs.* 4,783,500, in order to know what your real charge will be.

2382 But is that so? I mean, is not that playing with words. Is not the real fact this, that for this sterling charge the Government of India has got to pay so many millions of rupees, varying from year to year. Is there any value in putting down a separate column in your accounts in which you put down a series of figures which are obtained simply by subtracting the total sum from a conventional exchange of 10 rupees in the *l.*?—I am not prepared to say it is of any real value; it is found convenient, and it has rather arisen out of inquiries which have constantly been made, where it has been represented that the charge is only so much sterling. It has been pointed out that the real charge for the Government of India is so many *Rs.*, because you must add that amount of exchange.

2383. (*Sir Andrew Scoble*.) Does not the exchange column just show this—the extra number of rupees that you have to pay for your sovereigns, because the rupee is no longer worth 2*s.*?—Exactly so.

2384 (*Chairman*.) And that brings us back to what I think does lurk in the minds of people both here and in India, that by a sort of what I may call a supernatural arrangement, the rupee ought to be 2*s.*, and if it is not, a special arrangement will have to be secured which will bring it up to 2*s.*?—It is undoubtedly the outcome of an arrangement made for convenience.

2385. (*Mr. Buchanan*.) The only other thing I was going to ask was this. Does it not give rather an unfair presentation to the public of the amount of loss caused to the Government of India by exchange. You can hardly fairly say that the whole of that extra sum is due to the fall in exchange, because the rupee, I suppose practically, has never been worth 2*s.*?—I should not admit that. The rupee was, for many years worth about 2*s.*

2386. (*Chairman*.) I think of old times we used to reckon the rupee—except for a few years when silver was over 60*d.* an ounce—at about 1*s.* 11*d.*, was it not, and you took 2*s.* really as a convenient and rough method of reckoning, the rupee in sterling?—No, it really was worth more nearly 2*s.* than any other rate. For some years it was over 1*s.* 11½*d.* and it was decided that for convenience the account should be shown at 2*s.* the rupee; but, after it had fallen seriously below that rate, an alteration was made.

2387. You must be going back beyond all our memories. Some of our memories go to the time when silver bore a very high price, in the late fifties; but if we went to the beginnings of the fifties and to the forties, we should have found that it was 1*s.* 11*d.*?—You are quite right, but, after the Mutiny, it was for some years considerably over 1*s.* 11*d.*

2388 What Mr. Buchanan says would strike many people; viz., that the 2*s.* is a conventional rate?—It is.

2389. And that being so, at all events a question might arise as to whether it is quite fair to reckon the whole of the difference between sterling converted at this conventional rate of 2*s.* and the sum of rupees actually required as loss by exchange?—Yes; but I must say, we are very careful not to call it “loss by exchange” for that very reason. It is the exchange.

2390. Are the whole of the money payments mentioned in this account made through the India Office?—Yes.

2391. On what authority are payments made?—On the authority of the Secretary of State in Council given in some form or other.

2392. Either by standing order, as I suppose in the case of an establishment, or by special order in the case of a special payment?—Yes.

2393. In what form, and by whom, is the approval of the Secretary of State in Council signified?—By a minute or draft letter or despatch marked by the Clerk of the Council as having received such approval.

2394. Can you describe the process by which that approval is obtained? I mean by that, in what form do applications or demands for payments come before the India Office, and in what form do they pass on to the Council in order to receive that approval?—On the receipt of a letter in the Registry Department, it is sent to the Department which in the ordinary course would deal with it. Usually a minute or draft letter is prepared in the Department and submitted by the head of the Department to the Under Secretary of State, who sends it to the Secretary of State indicating the Committee or Committees to which the paper should be referred. (I perhaps should say that before that step is taken, it is usual for the Secretary of the Department to refer the paper for observations to any other department that seems likely to be interested in the subject.) If the Secretary of State sees no *prima facie* objection to the proposal, he refers it to the Committee, after approval or alteration by whom, it goes back to the Under Secretary and the Secretary of State, and is then laid before Council for discussion at the next meeting. In the less important matters involving small expenditure, some of these stages are omitted, and the approval is signified by the Clerk of the Council after the paper has been laid on the table for a week without comment.

2395. Then, in fact, claims for payment, we will say, go twice before the Secretary of State?—If they are claims for payment in ordinary course, they would very likely be sent by the Under Secretary direct to the Council to lie there for a week, without troubling the Secretary of State in the matter; but if it is a point that requires special decision it would go twice before the Secretary of State, before and after reference to the Committee charged with it.

2396. Would you describe to us the branches into which the India Office is divided?—The Correspondence Department includes six departments: the Finance, Military, Judicial and Public, Revenue and Statistics, Public Works, including Railways, and the Political or Foreign, which includes the Secret Department.

2397. The Public Department, I presume, includes charges for civil administration, would it?—It includes administrative charges of a miscellaneous character which do not come under one of the other branches distinctly; but proposals for increase of expenditure generally come from India in the Finance Department, and the question whether they are dealt with in the Finance Department or in one of the other departments depends very much on the character of the reference. If it is a mere question of a slight increase, it would probably be dealt with in the Financial Department, after reference to the Judicial, or the Public Works, or whatever department was concerned. If it was a reorganisation of a whole system, it would be transferred at once to that Department.

2398. But in order to understand clearly the division of business, let me take such a question as an education question, which, as I think you explained to us before, in India falls under the Government of India in the Home Department?—Yes.

2399. What branch would deal with that?—The Judicial and Public Department.

2400. Then I suppose that the department of the India Office which is charged with the Home financial business, and with the keeping of Home accounts, is the Finance Department?—That is so. The business is divided between the Financial and the Accountant-General's Department. The Accountant-General's Department deals with the compilation of the estimates and accounts, the management of the cash balance, the computation and issue of furlough pay and pensions, the examination of all claims, and the payment of all sums in this country on account of India.

2401. Then the Accountant-General's branch is not included under that general head of correspondence?—No, it is an independent department.

2402. And it is a branch independent of the financial branch?—Yes.

2403. Is any other branch besides the Accountant-General's branch outside those divisions which you have

described to us?—The Director-General of Stores' Department. There are other departments, but not dealing with correspondence. There are the Registrar and Superintendent of Records—correspondence about records would be in his department—and the Funds Department; and then there are the Legal Adviser, and various miscellaneous officers, but I have mentioned the chief departments.

2404. That part of administrative machinery which, of course, is always attached to a great office, but which does not fall into the main divisions of business?—Quite so.

2405. Is there a Committee of Council on Finance, under whom the Financial Secretary is the chief officer?—Yes.

2406. Does that Committee of Finance meet on specified days?—Yes, always once a week, and occasionally a special meeting of the Committee is summoned.

2407. And does all financial business pass through it to the Council?—Through that Committee of Council, if referred to it by the Secretary of State; in ordinary course it would always be so referred.

2408. What is the strength of the department of the Financial Secretary?—One secretary, receiving 1,200*l.*, with, at present, a personal allowance of 200*l.*; one assistant, 800*l.* to 1,000*l.*; one senior clerk, 600*l.* to 800*l.*; one redundant senior clerk, 500*l.* to 700*l.*; one junior clerk, 200*l.* to 600*l.*; one clerk for examination of Army non-effective accounts, 400*l.*; seven second-class clerks, 70*l.* to 350*l.*, making 13 in all.

2409. You mentioned one clerk for examination of accounts. From what you said before, I would rather have anticipated that the examination of accounts would lie with the Accountant General?—It is a very special arrangement; it is the Army non-effective accounts, and the examination is not such as is ordinarily conducted in the Accounts Department. It involves a great deal of reference to orders connected with the retirement of officers.

2410. It is a convenient arrangement?—It is a convenient arrangement that it should be in my department.

2411. Does that give the whole of the clerical staff?—The whole of the staff which is under the Financial Secretary. The copying of the despatches, and so on, is in the Registry Department.

2412. You have in the India Office, have you not, a division of establishment which corresponds in the Civil Service to the Upper Division and the Second Division?—Yes.

2413. Is your department manned to any extent by the Second Division?—Seven out of the 13 are second-class clerks.

2414. And there is one officer who is redundant, and when he retires will the strength of the Upper Division be reduced by that?—It will be so. He will probably be replaced by a second-class clerk; at any rate by one of lower standing than he is himself.

2415. Then I conclude, from what you have stated before, that the Accountant's branch is entirely independent of the Financial Secretary's branch; will you give us the strength of that department?—The Accountant General's Department comprises—

1 Accountant General, 1,200*l.*
 1 Deputy Accountant General, 800*l.* to 1,000*l.*
 5 Senior Clerks, 500*l.* to 800*l.*
 8 Junior Clerks, 150*l.* to 450*l.*
 31 Second Class Clerks, 70*l.* to 350*l.*
 1 Keeper of the Records, 120*l.* to 150*l.*
 making 47 in all.

2416. You have alluded to the duties of the Accountant General, but perhaps Mr. Cave Browne will give us somewhat more at length what the duties of his department are?—(Mr. Cave-Browne.) I have entire charge of the Secretary of State's cash balance, a portion of which, under a system that we inherited from the East India Company, is temporarily invested; I have to watch from time to time the payments required to be made, and the amounts that can be spared which the stockbroker lends out temporarily. All the home accounts and the estimates are prepared in my department. One branch of my department is confined to the payment of furlough pay, pensions, and salaries, and all such allowances as are paid either

under regulations or under special sanctions by the Secretary of State. All claims for stores are submitted to me for examination, having been previously certified as to the delivery of the stores. I have to satisfy myself that all claims are in order before they are passed for payment. Then there are payments to various railway companies; in fact, all the payments that appear in the home accounts are made by me and superintended and examined in my department.

2417. In fact, those payments which you have described—furlough and the like, non-effective—added to the railway payments and the debt payments would make up between eleven and twelve millions out of the fifteen and three-quarter millions which you pay?—I pay the whole.

2418. Yes, quite so, but I am alluding to those items?—The interest on the debt?

2419 I am taking out those items which really are the main and the principal items of the payments that you make?—Yes.

2420. The furlough and non-effective payments are very large?—Yes. There are the payments to the Imperial Government for the effective and non-effective army charges. Those are all paid through my department, as well as those on account of the troop service.

2421. I think that anybody who is cognisant with that kind of payment is aware that non-effective payments are usually very heavy in their details?—Oh, yes.

2422. And that was in my mind when you were giving the strength of the Department; it is a large department?—Yes.

2423. It becomes quite intelligible when one sees what a very large amount of that kind of payment, such as non-effective payments, are concerned?—Yes.

2424. That concludes your description?—Yes. Of course there is all the account keeping.

2425. You say that the cash balance is in your charge. Now a question as to investments. Are the amount you can invest, and the method of investment a matter of consultation between yourself and the Financial Secretary and through him with the Committee of Council?—No; that is all done, under the approval of the Secretary of State in Council, of course; but each transaction I decide myself.

2426. There are general regulations under which you exercise a discretion?—Exactly so; what descriptions of security should be taken is settled; but each day I am in constant communication with the stock-broker, and tell him what he can lend and when I shall require loans to be repaid, and so on. (*Sir Henry Waterfield.*) I may, perhaps, add that a weekly report is made to the Finance Committee of the transactions, and we are in personal communication with the chairman of the Committee from time to time; but it is left in the Accountant General's hands to deal at the moment with any application that comes up, unless it is of a very exceptional character.

2427. I see that in the last Home accounts the revenue which you realised under that heading appears to be about 10,000*l.* a year?—That is an unusually small amount.

2428. The very first item?—Yes. The cash balance was low, owing to the sale of bills being restricted, and I think also that the rate of interest obtainable was very low in that year.

2429.—I am afraid it is lower this year?—It is so.

2430. On the other hand, do you often have to borrow to keep up the cash balance?—(*Mr. Cave Browne.*) Oh, no.

2431. Not here?—Occasionally we borrow from the Bank of England; but, as a rule, we accumulate a balance sufficient to meet the approaching disbursements.

2432. Here you follow the same principle as is adopted by the Indian Government, viz., that you work upon a balance sufficient to meet the demands upon you?—Yes, just so; as a rule.

2433. Is that a matter that has been considered at the India Office, whether the maintenance of a large balance is better than the maintenance of a moderate balance with occasional borrowings?—(*Sir Henry*

Waterfield.) We have occasionally been obliged to obtain assistance from the Bank of England, but it is not a satisfactory plan for the Secretary of State to be in the hands of the Bank; he has not the same position which the British Government have with regard to the Bank, and he might have to pay somewhat heavier charges than the Treasury would under similar circumstances. (*Mr. Cave-Browne.*) Besides, we always have to bear in mind the uncertainty that attends the sale of bills; we have to sell our bills when we can, and, therefore, it is desirable that we should not be in arrear of our requirements,

2434. I suppose your debt payments fall due at the beginning of the quarter, do they not?—Yes.

2435. Would you not find it convenient to borrow any sum that was required beyond a moderate balance in order to meet those payments, with an arrangement that you would pay off that debt from day to day as your revenue comes in?—(*Sir Henry Waterfield.*) I think that for the reason Mr. Cave Browne gave it would be a very undesirable plan. We might find, if we did not sell the bills when there was a market demand, that we had borrowed from the Bank, and were unable to repay them.

2436. And your revenue here does not come in in the same form as the Imperial Revenue does, day by day and week by week, by taxes; you derive it by the sale of bills?—By the sale of bills.

2437. Your other revenue, I suppose, is very small?—A mere nothing.

2438. I am asking these questions really with the view of understanding whether the question has been maturely considered, and whether it is a definite judgment founded upon your peculiar circumstances?—Yes, it is the decision of the Secretary of State in Council, come to from time to time when the subject has been considered.

2439. You have a special arrangement, have you not, under which you invest your balance temporarily?—It is usual to keep a balance of half a million always at the Bank of England, but it may be necessary to keep a much larger one; for instance, as you were saying, at the beginning of the quarter, when the dividends are due, we might for a day or two have a balance of 2,000,000*l.*

2440. But you have a special arrangement, have you not, under which you lend surplus balances?—(*Mr. Cave-Browne.*) Yes.

2441. It is not necessary for you to invest in Treasury Bills unless you please?—We lend upon the security of Treasury Bills, but the question has been considered more than once, whether we should purchase Treasury Bills, and it has been determined that it was not suitable for us to do so.

2442. I thought you had an arrangement under which you lent through brokers, or through the Bank of England dealing with bill brokers, for short periods and with power to recall in short periods, the surplus balance you hold?—That is so; through a broker.

2443. Then I suppose the Committee of Finance, assisted by the Financial Secretary, constitute the financial advisers to the Secretary of State?—(*Sir Henry Waterfield.*) Yes, with the assistance of the Accountant General.

2444. Your mentioning the fact that all claims for expenditure go before the Secretary of State implies that all measures or proposals increasing or tending to increase the public expenditure go before him, and obtain his sanction?—Yes; the extent to which the Secretary of State personally looks into such papers depends very much upon himself. In certain cases the Secretary of State has desired not to be troubled with small matters. Other Secretaries of State have insisted upon every paper that was going to Council being submitted to them beforehand.

2445. That, of course, is the method in which the Secretary of State chooses to do business?—Quite so.

2446. The tradition of the office is that every measure involving expenditure must go before the Secretary of State, and therefore he must see every proposal involving increase of expenditure?—That is so; no paper can in theory go to the Council without first

passing through the hands of the Secretary of State, who may delegate to the Under-Secretary the powers to pass him by if he pleases.

2447. Does the Finance Department of the India Office, besides controlling and directing the expenditure at home, exercise any supervision on behalf of, or for the Secretary of State, over expenditure in India?—Speaking generally, proposals for expenditure in India, which require the sanction of the Secretary of State in Council, must come to the Financial Department. There are, however, exceptions; the supply of stores, for instance, is supervised by the Director-General of Stores and the Stores Committee, not by the Financial Department.

2448. But we may look upon the Finance Department as the department that criticises for the Secretary of State the proposals from the Indian Government involving increase of expenditure?—Yes.

2449. In what form and by whom are the Budget returns, the returns of income and expenditure, and financial returns of that character received from India, examined and criticised at the India Office?—The financial statement, with the accompanying returns, is forwarded by the Government of India, with an explanatory despatch, which is examined carefully in the Financial Department.

2450. And I suppose the same course obtains with other financial information which the Government of India send?—Certainly.

2451. Is that course followed with regard to the Comptroller and Auditor General's Appropriation Account?—Yes, it is. The Comptroller and Auditor General's Report is forwarded by the Government of India, and a copy of the accounts is at the same time sent; and a despatch is always written for the Secretary of State's approval, carefully reviewing any increase of expenditure that has appeared in the accounts as compared with either the previous year or the estimates for the year.

2452. And that implies that any remarks that the Comptroller and Auditor-General makes in his report which accompanies his audited account, receive the attention of the Finance Branch, and through the Finance Branch would be brought before the Secretary of State?—Certainly.

2453. And any despatch conveying the opinion or decision of the Secretary of State upon those points would be drafted in the Finance Department, I suppose?—It would.

2454. What is the form of communication to the Finance Committee, and through the Finance Committee to the Council; do the remarks of the Financial Department take the shape of reports to the Finance Committee and to the Council, or minutes upon the papers?—In the case of the review of the Budget, a despatch is drafted in which the main points are summarised and criticisms passed on any matters that appear to call for comment. This is laid before the authorities in the manner that I have described, and closely considered in the Finance Committee. If it were a matter of more exceptional moment, a minute would probably be laid before the Secretary of State and the Committee before the draft of a despatch was prepared.

2455. Are currency despatches and questions of that character examined and reports upon them prepared for the Secretary of State in Council, and draft replies drawn up in the Finance Department?—Yes.

2456. That I suppose of late years has been a very heavy and a very important part of the business of the Finance Department?—There have been some very important despatches on the subject.

2457. (*Mr Buchanan.*) Do you mean that when a proposal of this sort, a proposal, I mean, from the Government of India which involves increase of expenditure, comes, it comes first to the Financial Department, here, and then do you and the Finance Department proceed to draft a despatch in reply to the Government of India which you then send on?—Yes, it is a matter for my discretion whether I shall draft a despatch without instructions. I may perhaps verbally ask the Under-Secretary of State, or the Secretary of State himself, what he would wish done; but the more common course is for me to put my own opinions forward in the shape of a minute arguing the subject, and very possibly a despatch is drafted in the sense that I would suggest.

2458. What is the next stage? Where does it go after you have prepared this despatch?—It goes from the Finance Department to the Under Secretary of State, from him to the Secretary of State, and from him to the Committee.

2459. And from the Committee to the Council?—Perhaps, as is frequently the case, more than one Committee would deal with the subject.

2460. And then does it eventually go before the Council?—Then it goes back to the Under Secretary of State, who, if necessary, will send it again to the Secretary of State; or he may, if the Secretary of State has delegated to him the authority, send it straight to the Council; but in theory, and frequently in practice, it is seen by the Secretary of State both before it goes to the Committee which deals with it, and again before it goes to the Council.

2461. (*Sir Ralph Knox.*) Would that be the course in the case of increased military expenditure?—Certainly it would. The only difference from what I have described is that, if it were a question dealing rather with the army organisation, it very probably might be drafted in the Military Department after reference to the Financial Department, and put before the Secretary of State by the Military Secretary. Then it would go to the Military Committee, and from that to the Finance Committee, then again to the Under Secretary of State and Secretary of State, and finally to the Council.

2462. (*Sir James Peile.*) And the Departments' draft may be amended by the Committee, may it not?—It may be amended by the Committees, and frequently is. If it was at all an important subject, probably the Committees would make material amendments.

2463. And it comes before the Council as amended by the Committee?—And quite possibly again to the Secretary of State.

2464. The Departments' draft is merely proposed for adoption?—That is so.

2465. (*Chairman.*) The Council meets once a week?—Yes, always; occasionally it is summoned specially.

2466. And in case a reference is necessary from the India Office to an Imperial Department, say the War Office, at what stage is that made? We will take a case where a reference is made for the opinion of the War Office on a question submitted by India. At what stage of the proceedings would that be made?—If the matter was one rather of departmental inquiry, the Military Secretary might send it on to the War Office at once, acting for the Under Secretary of State in that case. But, if it was a matter that involved an important alteration, the draft letter to the War Office would go before the Secretary of State and the Committee and Council in the way I have described.

2467. In fact, you have what is a very well-known distinction in the public service, namely, that a simple reference to a department, asking, "What is your opinion?" is constantly sent on on the authority of what I may call a subordinate officer?—Of the Secretary of the Department.

2468. Of the head of a department; but, if it involves an expression of opinion by the department making the reference, then it goes through the ordinary process?—It does so.

2469. By what department of the India Office would questions affecting revenue and taxation be examined or reported upon?—Correspondence regarding taxation is usually conducted in the Revenue Department, but the question of imposing or remitting taxation would very probably be first considered in the Financial Department.

2470. Therefore take such a case as that of the imposition of the cotton duties, that would be considered by both departments, would it?—Yes. The recent imposition of those duties formed part of the proposals for the Budget, and was considered in the Financial Department, but the precise method of taxation to be adopted was determined in correspondence in the Revenue Department. In practice the secretaries of the two departments would almost always be consulted by the Secretary of State. I do not know whether I have made my meaning quite clear. The question whether taxation involving a million and a half of money was necessary formed part of the Budget proposals, and

had to be considered in the Finance Department. The question whether, if taxation were to be imposed on cotton goods, it should be on all counts above twenties or twenty-fours, was a matter of detail for the Revenue Department, although a very important detail.

2471. Quite so; but would the opinion of the Finance Department be taken on the question of a form of taxation, such as whether the imposition of the cotton duties is a desirable form of taxation?—Yes, that was taken in the Finance Department.

2472. And in discussions, before the Budget came on, in which the Indian Government alluded to or suggested change of taxation, would that be considered in the first instance by the Revenue Department, and in conference with the Finance Department?—It would depend very much upon what the proposal was. The proposal that some taxation should be put on, and that that taxation should involve a certain amount of money, would certainly be taken in the Finance Department; but if it was a proposal for some definite charge, such, for instance, as the taxation of cotton goods, it would be considered in both departments. I am not quite certain which would take it first, but the Secretary of State would consult the two departments and put it before the two committees.

2473. The point I want to come to is whether the Finance Department would not only express an opinion that taxation was necessary, which is, naturally, part of its duties in connection with the Budget, but would also have an opportunity of expressing an opinion as to the form that that taxation should take?—Yes, as a matter of fact, the case to which you are referring was, to a great extent, conducted in confidential correspondence between Sir James Westland and myself.

2474. I understand from what you have said that important proposals on the subject of taxation and of currency, would go to the Secretary of State in the ordinary course before they went to the Council?—Oh, certainly.

2475. They would pass from you to the Under Secretary, from the Under Secretary to the Secretary of State, and from the Secretary of State to the Committee of Council?—Yes, I have no power to send any paper to the Council; I can only send it to the Under Secretary and the Secretary of State.

2476. Therefore, not only is the Secretary of State made aware of what the circumstances of the Indian Government are, and what the intentions or suggestions of the Viceroy in Council are by his own private correspondence with the Viceroy, but every important paper he sees at a very early stage, and practically before it has had more than the consideration of the Department charged with that branch of business?—Yes.

2477. Reverting now to the home expenditure, I should like to run through the headings with you, in order to give you an opportunity of giving some explanations on any heads on which you think we ought to have some further explanation. First of all, are there any general regulations under which payments are made here? I ask the question, because, in describing the Indian expenditure, you have shown us that almost every class of expenditure in India is regulated by code?—Yes.

2478. I want to know whether that system is extended to the India Office, and whether the method and system of payment is regulated by code?—No, we have no code of orders in the India Office. Copies of minutes bearing on payments are kept in the Finance and in the Accounts Departments, and action is taken in accordance with them.

2479. I think, perhaps, in running through these heads of account, I shall follow the statement which you gave us early in your evidence in preference to taking the Home accounts; but, perhaps, wherever necessary you would refer to the Home accounts, so that we might see where the items are given in greater detail. And, first of all you mentioned the interest and management of debt, payment of annuities, interest on purchased railways and interest to existing railway companies; would you tell us under what regulations those are paid? For instance, the quarterly or half-yearly charge for debt?—Every loan is effected on terms and conditions authorised by the Secretary of State in Council, and these include the payment of the interest at the rate or rates and dates prescribed. The interest at the rate or rates and dates prescribed. The claim of the Bank of England or of the Bank of Ireland, or of the railway company, as the case may be, for the

payment of interest, is closely examined in respect of the amount of principal on which interest is claimed, the rate of interest, the period for which it is payable, and the calculation involved.

2480. And where the claim is found to be entirely in accordance with the authorities given by the Secretary of State, does the Accountant General then pay without reference to a higher authority?—Yes.

2481. And the same course, of course, is pursued in the case of management of debt?—Yes.

2482. You then pass on to the payments on account of the civil administration in India, such as passage and outfit of officers, allowances and examination expenses of candidates for appointments in India. And, first of all, before you enter upon that subject, would you give us some information upon the following point: I think I am right in saying that the establishment of the Secretary of State in England is regulated by Order in Council, is it not?—Yes.

2483. Has the Secretary of State any power temporarily to add to that establishment, or must an amending Order in Council be obtained in order to make payments to new officers or additional payments to officers legal?—He cannot add to the establishment; he can make temporary appointments, but he cannot add to the establishment without an Order in Council, though, after the Secretary of State in Council's sanction has been given, some little time may elapse before the Queen's approval in Council can be obtained.

2484. The basis of all financial business is want of confidence, you know; and we will suppose that the Secretary of State increases his establishment and does not care to go for an Order in Council; should you consider it the duty of the auditor to report after a time that this expenditure was going on without being embodied in an Order in Council?—Certainly he would report it to Parliament, or, more accurately, he would report it to the Secretary of State, and his report would go to Parliament.

2485. Is there any other class of payment which the Secretary of State makes which is regulated by Order in Council?—I think not.

2486. For instance, now, I see that the contingencies of the office are very large. The Secretary of State has complete authority with regard to that?—Yes.

2487. And those payments on account of civil administration, passage and outfit of officers, allowances, examinations, scientific inquiries—every charge of that kind is completely at the discretion of the Secretary of State?—In a few cases it is regulated by Act of Parliament, but I do not think there are any cases governed by an Order in Council.

2488. Orders in Council are confined to the establishment?—Yes, I believe so.

2489. And outside that the Secretary of State has full power?—Yes.

2490. What is the course followed with regard to the proposals for increase of expenditure in England itself? How do applications for an increase of expenditure, or for the incurring of a new class of expenditure arise, and how are those applications or proposals considered?—They originate from the necessity arising for some service which has not been foreseen, and for which there is, consequently, no authority under regulation. The case is submitted in a minute to the Secretary of State in Council, who authorises the expenditure. The claims, when preferred, are examined, like others, to see that they have been duly sanctioned.

2490A. Such a proposal or application would originate in that department of the India Office charged with the business to which the new expenditure applies?—Yes, in almost every case it would arise on some letter addressed to the office.

2491. And, in that case, does the proposal pass from the Department directly to the Secretary of State, or would it go through the Finance Department first?—The rule is, that any letter or despatch which involves expenditure shall be referred to the Finance Department for observations, before going to the Secretary of State, but I do not think that that is quite invariably carried out. But, after being seen by the Secretary of

State, it would, if it involved expenditure, go to the Finance Committee, and in that way the Finance Department would become cognizant of it

2492. But of course there would very often be cases in which a proposal to incur a new service, to appoint a new officer, to incur a new class of expenditure, originates within the Department itself; in which case, I suppose, it would originate in a minute of the head of the Department. In that case, would that minute come direct to the Secretary of State, or would it pass through the Finance Department before going there?—If it was an addition to the establishment, it would be dealt with by the Under Secretary, who would refer it to the Secretary of State, and then it would come to the Finance Committee; but the Finance Department would not necessarily, and perhaps not at all, have seen it in the first instance. But if it arose—and unless it was a question of addition to the establishment, it almost certainly would arise—from some letter addressed from outside, whether from the Government of India, or some other department or individual in England, it probably first would be referred to the Finance Department for consideration.

2493. (*Mr. Buchanan*) And then go through all the stages similar to what you have previously described?—The stages which I have described are those which are formally laid down, and which are adopted in all important matters; but as I said, it depends very much on the Secretary of State personally to what extent he is troubled with details.

2494. When a new charge is put on the revenues of India, which is originated at home, at what stage is the Government of India first consulted?—It is a very rare thing for a new charge to be put on the revenues of India originating at home. Such a thing might, however, happen, and in that case the Government of India would most likely be consulted by a despatch before it had been adopted. But in a case of urgency, the charge would be borne here, and the Government of India would be informed if it was a matter which concerned them. Such questions as the Chairman was putting to me, relating to the increase of establishment in this Office, would not be communicated to the Government of India.

2495. No; but the more important ones. We know that certain charges have been put on the revenues of India originating at home?—Could you give me an illustration of what you have in your mind?

2496. Well, I was thinking of what had been alluded to yesterday about the aid to Mauritius and Zanzibar cable?—The Mauritius and Zanzibar cable was laid at the request of the Government of India; the proposal originated in India.

2497. (*Chairman*.) Perhaps, if we turn to the Home Accounts, we could pick out some instances of what Mr. Buchanan means. I take this, page 3, "Payments under postal arrangements to the Lords of Her Majesty's Treasury, 61,475l;" would not that be an arrangement made between the India Office and the Post Office?—Yes; but not without consulting the Government of India.

2498. But it would originate here, would it not?—When the time came for the revision of the contract with the Peninsular and Oriental Company, the Treasury, or the General Post Office through the Treasury, communicate their views to the Secretary of State, who informs the Government of India, and calls for any observations which they have to make on the arrangements that are proposed. The actual division of cost might be settled here between the departments without the Government of India having been previously informed, because it depends very much on the final arrangements made between the Treasury and the Company at the last moment. But the Government of India would have been consulted beforehand, and would be informed of the result afterwards.

2499. I can understand that in that case a reference would be made to the Government of India to take purely Home Accounts. But supposing the Government here were to think fit to have a special train to bring up the Indian mails, involving, perhaps, several thousand pounds a year, or something of that kind—I suppose the Government here would settle that without reference to the Government of India?—The question of transit of the mails across the Continent was not settled without reference to the Government of India.

2500. It was part of the postal service?—Yes.

2501. But still, there might be cases such as I have described, in which the Secretary of State would settle without reference to India?—It is possible; particularly if it was a very small amount. But care is, as a rule, taken that a charge shall not be put on the revenues of India without acquainting the Government of India with it, and, if possible, obtaining their opinion beforehand.

2502. Take a very ancient charge, the Sub-marine Indian Telegraph. If I remember aright, in the very infancy of sub-marine telegraphy, and immediately after the mutiny, it was thought necessary to adopt the very earliest means of establishing telegraphic communication. It was so early in the day of telegraphs that the cable immediately broke down, and the charge which had been incurred, which was a guarantee, I think, was turned into an annuity for 50 years, and eventually formed part of the debt of India to England, and was divided between the two countries. I suppose any cases of that kind, converting a liability into an annuity of 50 years, would be made in concert with the Government of India?—It was made by Parliament, and I am not prepared to say that Parliament does not impose charges on India, sometimes, without the Government of India being consulted.

2503. When you say it was made by Parliament, it was made by Parliament on the initiative of the India Office, by Bill?—I think not on the initiative of the India Office, was it?

2504. Well, on the initiative of the Government?—Yes, on the initiative of the Government.

2505. But in a case of that kind, would the Indian Government be consulted?—Now-a-days I make no doubt they would be consulted, because it would be possible to do so by telegraph. It was not possible in those days, and therefore the Act may have been passed without consultation with them. It was in 1861, and I am not able to say, without reference, whether they were informed beforehand. I rather think that a guarantee had been previously given to the company, and that the annuity was granted in substitution for that.

2506. That was so?—Therefore, it was not imposing a fresh charge on India, I think.

2507. My recollection is that the Indian Government, and the home Government were alike alive to the necessity of speedy communication?—Yes.

2508. This contract was entered into with the company in the very infancy of submarine telegraphy, before any experience had been had about it, and the cable at once broke down, and hopelessly?—Yes. What I mean is that I think the Government of India were responsible to the company for a dividend of 4½ per cent. jointly with the Treasury. The Act, which was passed in 1861, declared that the guarantee had not been given conditionally on the telegraph being in working order, and the further Act of 1862, after the line had ceased to transmit messages, transferred the property to a new company, and the guarantee of the old company was then converted into an annuity of 36,000*l.* for 46 years. The result was, therefore, I think, that the charge, although perpetuated without the service being rendered, was a reduction of that for which the Government of India were already responsible.

2509. Well, that was the settlement of it?—It was settled in that way.

2510. Now, I will take such an instance as this. It is a small charge at page 7. "Allowance to an officer in attendance on His Highness the Gaikwar of Baroda during his visit to England." That would be settled by the Secretary of State without reference to the Government of India?—The Government of India deputed the officer to attend on the Gaikwar of Baroda. I think probably the exact payment to be made to him while he was at home was left to the Secretary of State's discretion, but he was sent by the Government of India especially to attend on the Gaikwar of Baroda.

2511. Therefore that would not be an instance in which the Government here, small as the charge is, would be acting without the knowledge of the Government of India?—No.

2512. Well, now take such cases as the mission to the Court of Persia; I see 7,000*l.*?—Yes.

2513. Is that the share of the diplomatic establishment at the Court of Persia?—It is the extent to which the Government of India bears the cost now.

2514. As you remember, that question, with others, was a long time under discussion between the India Office and the Treasury?—It was.

2515. Ending in a reference to the Prime Minister?—Yes.

2516. Would the decision then arrived at—the Secretary of State agreeing with the decision made by the Prime Minister—would that have gone to India before being finally confirmed?—There was frequent correspondence with the Government of India on the subject. I think that the final meeting of the committee of the Cabinet on the subject decided it without a fresh reference to the Government of India.

2517. But it was a settlement, and presumably a reasonable settlement, of a question of which the Government of India was fully seised, and in which they had agreed that some charge would be undertaken by them?—Yes, and it was a reduction of the charge they were paying. In 1880 the payment had been reduced to 10,000*l.*, and in 1891, when the committee of the Cabinet met, it was reduced to 7,000*l.*

2518. Is not that what generally happens when you confer with the Treasury?—Sometimes we are able to relieve the revenues of India.

2519. I will just read other heads; but I think you have described generally the process by which expenditure is incurred, and, therefore, unless there is something that particularly calls for attention, I do not know that I need delay you over them. You speak in this memorandum, among the heads, Payment of Postal Subsidy, Telegraph Charges, Civil Engineering College, and other expenses connected with the supply of officers to the Public Works Department; that is the establishment at Cooper's Hill?—Yes.

2520. Now, I suppose expenditure connected with that service is made with the knowledge of the Indian Government?—The College was set up originally without the knowledge of the Government of India, but they were at once informed of the plan. The budget for the College each year is not referred to them; it is decided by the Secretary of State in Council.

2521. And any increase of expenditure which he may think necessary is granted without reference to the Government of India?—Yes, certainly; any alterations of building, for instance.

2522. Payments to the Admiralty for the Indian squadron, Indian defence vessels, &c. That, I think we know, has been the subject of full communication with India?—That has been very fully referred to the Government of India.

2523. "Maintenance of lunatics sent to England from India, for whom the Secretary of State is responsible." "Charges for the Persian mission" and "Diplomatic and consular establishments in China," "Pensions to the families of Maharajah Duleep Singh and the Nawab Nazim of Bengal," &c. "Charges for the India Office, including the Store Department, and for the Auditor's Office." This is the place where, I think, we should ask any questions about the Store Department. Would you explain to us the form in which demands for stores come to the Home Government, and the method followed for procuring them? And, first of all, I understand that the Store Department is a very great service?—Very large.

2524. A very large part of the stores required for public works and, of course, for military purposes in India, are paid for in England?—Yes.

2525. And obtained in England?—A very considerable proportion of them.

2526. Would you tell us about the stores, then?—Orders for stores originate in India except on rare occasions. They are occasionally ordered on the requisition of an officer deputed from India for a special service.

2527. Therefore the Secretary of State does not initiate the purchase of stores?—No. The general rule is that the Director-General buys the stores. But, with reference to ordnance stores, some are manufactured by the War Department specially in compliance with Indian orders, others are procured from the War Department stock; and others are obtained by means of contracts entered into by the War Department on

behalf of the India Office. Stores for India are procured on requisitions received from the several Governments in India, the indents for which are submitted by the Director-General of Stores for the sanction of the Secretary of State in Council. This sanction constitutes the authority for the requisite payments in respect of them. Contracts for the supply of the stores are obtained by the Director-General of Stores, such contracts being approved by the Chairman of the Stores Committee of the Council. A copy of the contract so approved, certified by the Director-General of Stores, is furnished to the Accountant-General for his guidance. The claims of the contractors for payment are prepared in duplicate, and received in the first instance by the Director-General of Stores, who transmits them to the Accountant-General's Department with his certificate on the claim that the stores therein enumerated have been inspected by the officers of his department, that the quantities are correct, that they are in every respect fit for the service of the Indian Government, and either that they have been taken into his charge preparatory to being shipped, or have been shipped per vessel named, to a port in India specified. In the Accountant-General's Department the rates and calculations are examined, and the quantities and the sums charged are recorded on the copy of the contract, care being taken that the aggregate of the claims passed for payment in respect of a contract correspond therewith. In all cases the indents from India have received the sanction of the Secretary of State in Council; and the claims for payment are closely examined in every respect possible. Tenders for the freight of stores to India, prior to their acceptance by the Director-General of Stores, receive the approval of the Chairman of the Stores Committee. The accepted tenders are recorded in the Accountant-General's Department. The claims for payment, as in the case of those for stores, are prepared in duplicate, and are received in the first instance by the Director-General of Stores, who transmits them to the Accountant-General's Department with his certificate that stores of the weights and measurements specified in the claim have been shipped. The rates charged are compared in that Department with the record of the freight tender or contract, and the calculations are examined prior to payment. Four-fifths of the total amount of a freight claim is paid in this country, (claims of less than 50*l.* being, however, paid in full); the remaining one-fifth is payable in India, excepting in the case of a few outlying ports, when the balance is paid in England on receipt of the out-turn certificate. The duplicate of each store and freight claim, corrected if need be, is returned to the Director-General of Stores to form the basis of an invoice to be transmitted by him to India. Statements are transmitted to India monthly, reconciling the sums paid for stores and freight with the invoices despatched to India.

2528. This is a heavy charge, and I suppose the Director-General of Stores has a large department?—It is a very important part of the office.

2529. Could you tell us what the strength of his department is?—The Store Department at the India Office comprises—one director-general, 1,200*l.*, one deputy director-general, 800*l.* to 1,000*l.*; seven senior clerks, 500*l.* to 800*l.*; three junior clerks, 150*l.* to 500*l.* (in future to 450*l.*); 12 second-class clerks, 70*l.* to 350*l.*; one surveyor of shipping, 600*l.*, making 25.

2530. Twenty-five in all?—Twenty-five in this part of the building—in the Director-General's branch. Besides that there are at the Store Depot—one superintendent, 800*l.*; one assistant superintendent, 700*l.*; nine supervisors, 250*l.* to 500*l.*; 15 second class clerks, 70*l.* to 350*l.*; 27 examiners and assistant examiners, 15*l.* to 350*l.*; seven miscellaneous officers, 50*l.* to 300*l.*, making a total of 60, or, with the staff in this office, 85

2531. Do you happen to know what the cost is?—The cost of the officers whom I have read was, in 1893-4, 25,388*l.* But that does not include the cost of labourers and artificers, of whom there is a very large number altogether. The cost of the Store Department in the year 1893-4, including inspection, ground rent, rates and taxes, &c., was 53,488*l.*, of which 3,477*l.* was paid for the stamp branch employed at Somerset House.

2532. Your stamps are procured in concert with the Inland Revenue Department?—Yes; the Inland Revenue Department procure them for us, having a small staff for the purpose, the cost of which we pay.

2533. It is a part of their staff?—It is a part of their staff. They took over those who were employed at the Store Depot.

2534. (*Sir Ralph Know.*) Have you a summary of the cost of the stores which pass through the hands of the Store Department, of all kinds?

2535. (*Chairman.*) I was just going to read that out?—Page 14 of the explanatory memorandum.

2536. I was just going to take you through the items of the stores. I see that the stores which you expected to buy, in the year 1895-6 amounted in round figures to may we say a million?—A little more than a million.

2537. Yes; not very much, is it?—I think it is 1,057,000*l.*

2538. Of that 705,000*l.* is for military stores. Would those military stores be obtained through the War Office, and with the assistance of the War Office staff?—A large part would, but not the whole. The clothing for the native army, for instance, is bought by the Director-General of Stores himself.

2539. Are there any other stores that the Director-General buys himself?—Yes, the miscellaneous stores for the Military Department would be. It is those of special and particular patterns which are required for the European troops and the Ordnance Stores for which application is generally made to the War Office.

2540. Therefore, I suppose that a very considerable portion of this 700,000*l.* is not bought by the sole action of the Director-General?—Not by his sole action.

2541. Do you make any payment to the War Office for their assistance?—There is an imprest given to the War Office—a standing imprest of 150,000*l.* on account of the orders from the Ordnance Department.

2542. But do you pay the War Office anything for their assistance?—There is a per-centage—5 per cent. is charged.

2543. Then the civil and public works stores, I see they amount to 184,600*l.*?—Yes.

2544. That does not, I suppose, include all the stores required by the Public Works Department; for instance, railway stores would not be included there?—No, these are only such stores as are charged on the revenues of the year; not those for railway construction. The great charge for railway materials would be included in the table at page 15—capital outlay on construction of railways.

2545. That would include all stores which in England would be charged to revenue as coming under the head of maintenance and upkeep, not on capital expenditure?—That table relates to stores for the State railways; not for the companies' railways.

2546. I thought I saw somewhere that stores were obtained through the India Office for the guaranteed railways?—Payments for them are made from the India Office; but this statement to which your Lordship is referring, at page 14, is one of the expenditure charged on the revenue of the year, and therefore it does not include stores obtained by the companies. The companies obtain their own stores, but the payments are made from this office, which is, I think, what you refer to.

2547. Yes, that is what I was referring to. The company obtain their stores, but the payment is made through you, and, therefore, so far, thrown and added to that amount for which you have to incur the inconvenience of the fluctuations of exchange?—Yes; but we have probably received the money already from the company in sterling in some previous year; they deposited with us funds from which they draw as occasion requires.

2548. Then, besides that, the expenditure under those two headings approaches very nearly to 900,000*l.*?—Yes.

2549. And that leaves only about 150,000*l.* for other services?—Yes. The stores for special defence works, 46,000*l.*, would also probably be obtained from the War Office.

2550. Therefore the amount of stores bought actually by the Director-General of Stores is not very large?—(*Mr. Cave-Bryne.*) It is very large. We have no statement before us here which shows only what is bought by the Director-General of Stores. That statement includes the War Office stores. But then there is the purchase of State railway stores, which is a very large business. I have here a statement for 1894-5, and the amount of the stores purchased was 1,768,000*l.*

2551. That is entirely done by the Director-General?—No; you have to deduct from that probably 350,000*l* roughly, which might be obtained through the War Office

2552. You are speaking of the railway stores?—No. I am speaking of the total of stores altogether when I say that.

2553. I beg your pardon. Now I understand it?—I am taking the total of stores.

2554. That is to say, 700,000*l*. worth of stores which would be obtained for railways is charged to capital, and a million we have seen already charged to revenue?—Roughly.

2555. (*Sir Andrew Scoble*.) Can you say what amount of stores is bought through the agency of the Director-General out of this total?—It could easily be stated, but I have not the figures here.

2556. Could you give us a statement showing the amount of stores that are bought through the direct agency of the Director-General of Stores?—In the year?

2557. For the last two or three years?—Certainly. The following table shows the payments for stores obtained by the direct agency of the Director-General of Stores, and by other agency, during the last three years—

Year.	Direct Agency of Director-General of Stores	War Office.	Admiralty.	Bank of England (Currency Notes).	Taken to India by Troops.	Total.
1892-93 -	1,968,320	531,897	10,041	18,765	76,688	3,656,311
1893-94 -	1,618,670	518,876	9,568	25,966	77,680	3,245,750
1894-95 -	1,605,624	357,018	8,912	25,803	48,415	3,045,867

2558. (*Chairman*.) After that we come to furlough pay, and pay to officers on leave. I suppose you would include in that heading superannuations?—(*Sir Henry Waterfield*.) No; that comes under non-effective charges—the last entry on the table.

2559. And then there are the payments to the War Office, and payment of troops, and payment of transport; those are all made in accordance with regulation, I suppose, and in communication with India?—Yes. But the payments vary from time to time. They are not paid, as a mere matter of form, under regulation; in each case the sanction of the Secretary of State in Council has to be obtained.

2560. (*Sir Ralph Knor*.) Is the expenditure for stores included in the Indian Budget or in the Home Budget?—Payments in this country are included in the home accounts.

2561. (*Mr. Buchanan*.) Do you mean that I shall find them scattered through this return—the Home Accounts?—Yes.

2562. Is that the only published account of the money spent on stores that is submitted to Parliament or available here?—There is a summary in the explanatory memorandum on page 14. (*Mr. Cave-Browne*.) You will find one in the finance and revenue accounts. (*Sir Henry Waterfield*.) You will find it in the Indian accounts. The Chairman referred to the Budget, and we have not such a statement in the Budget laid before Parliament, but in the accounts there is a charge shown under each head. (*Mr. Cave-Browne pointed out the document*.) (*Sir Henry Waterfield*.) You will find the summary in the finance and revenue accounts for the past year.

2563. (*Chairman*.) That is not presented to Parliament?—Oh, yes; it is laid on the table of the House.

2564. Then besides that, we come to Non-Effective payments. Those, of course, are under strict regulation?—They are under the published regulations. The payments to the War Office are dealt with under a system which your Lordship knows. I do not know whether you would wish me to explain it. The payments to Indian Officers are dealt with under the orders which have been published in India from time to time.

2565. Perhaps you will just briefly describe the payments for the non-effective of the Army?—The War Office pays the full charge for the British soldiers who come on the non-effective list. Every year a statement is rendered by them and checked at this

office of the service which each officer or soldier has rendered in India on the Indian establishment and elsewhere, and a calculation is made of the amount due in respect of his Indian service, and the Indian Government is charged with it. The practice which has been adopted for some few years now, for convenience, is that, instead of the Indian Government attempting to follow the course of each pensioner's life, involving the production of certificates from time to time, the India Office should pay year by year the value of the annuity that is due to the pensioner; the amount due is spread over the man's probable expectation of life; and we pay every year according to that table.

2566. I do not think we need enter further into that question now, because clearly that is one of the questions that comes up upon the "apportionment" part of our inquiry, and I only asked you to give a brief description of it, because of its forming part of the summary which you have given us?—I have explained it more fully in the papers which have been communicated to the Commission.

2567. (*Str Ralph Knox.*) It is a very simple arrangement for the India Office, is it not?—It is very simple; it obviates a great deal of trouble in the way of ascertaining whether the pensioners are still living or not, while it is actuarially perfectly fair.

2568. (*Chairman.*) Next we come to a number of payments not charged on the revenues of the year. For instance, Capital Outlay on Railways and Irrigation Works; what charges are defrayed by the Home Government on that account?—Almost the whole of that charge is for stores on the requisition of the Government of India, for the construction of railways and canals.

2569. Of course, various questions arise on this method of acquiring stores, but they do not fall under our present inquiry?—No; and probably the Director-General of Stores would be a better officer to give you information.

2570. Well, then discharge of debt, that, of course, is an ordinary service. At certain times debt falls due; I suppose you have not very often a question of paying a debt which has not fallen due, which you have merely the power of paying?—On certain occasions an opportunity has been taken to discharge bonds or convert stock before the time when the debt fell due.

2571. You have made some very important conversions?—Yes.

2572. In a case of that kind do you correspond with the Government of India before you do it?—No. I think that the conversion of the sterling debt was decided without reference to the Government of India.

2573. It resulted in a considerable economy, did it not?—In a very large saving.

2574. Then came payments to railway companies and capital subscribed, what are those?—The contracts under which payments are made to the several Indian railway companies have been approved by and executed under the authority of the Secretary of State in Council. The examination of claims for guaranteed interest has been explained under the head of interest on debt. The claims for payment of the annuities, by means of which several of the Indian railways have been purchased by the Secretary of State in Council, undergo a similar examination. Indents for stores are received from India by the railway companies, and after the indents have been referred to the company's consulting engineer, tenders for the supply of the stores are invited and considered by the Boards at which the Government Director is present. A list of the accepted tenders is entered on the Board minutes, the approval of the Government Director being specially requested where the tender exceeds the Indian estimate. Tenders for freight are invited when stores are ready for shipment, and the contracts are duly entered on the minutes, which also contain sanction to the rates of marine insurance on such stores. The Board minutes are forwarded to this office, and, after they have been initialled by the Government Director and the members of the Public Works Committee of the Council, they are forwarded to the Accountant-General's department where a register is kept of the contracts for stores, freight, &c. When the contractors deliver the stores and present their claims, these claims, accompanied by the consulting engineer's certificate that the goods have been delivered in proper condition and quantities, are submitted to this office for payment, and care is taken that the quantities and prices accord with the amounts sanctioned by the Board minutes. Claims for freight and insurance are presented in a similar way,

and, by means of the bills of lading which accompany the freight claims, it is ascertained that the stores supplied have been duly shipped. All bills for stores, freight, &c., contain full details, which are examined and checked. In a subsequent examination of the companies' books and accounts by officers of the Accountant-General's department, it is ascertained that the amounts issued by this office to the companies have been paid over to the contractors and their receipts obtained; and out-turn certificates received from India afford evidence that the stores purchased have duly reached their destination. Claims for inspection of stores, and bills for stamps, stationery, and other requisites, are periodically presented to this office and paid after examination. Payments on account of furlough pay, sick pay, and family allotments, are made in accordance with the Board minutes and regulations approved from time to time by the Secretary of State in Council. The salaries of directors and consulting engineers and the cost of office establishments are fixed by the Secretary of State in Council, and any alterations require his sanction. Thus, all payments to the railway companies are made upon general or specific authorities of the Secretary of State in Council, and the proceedings of the companies are supervised at all stages so as to prevent irregularities. Any disputes upon questions of principle arising out of the terms of arrangement are submitted for the decision for the Secretary of State in Council.

2575. Then practically the India Office makes all the payments for these railway companies. We are now talking of the guaranteed railway companies?—Yes. (*Mr. Cave-Browne*). We either pay the money to the railway companies, or place it to their account at their bankers; they pay all the details; but they have to submit to us all the claims received from their contractors, and so on.

2576. The object of that being that you may satisfy yourselves of the amount they have received before you pay any sum on account of the guaranteed interest?—Their capital is paid over to us, and the expenditure is supervised at this office in this manner. (*Sir Henry Waterfield*). In the case of a guaranteed company, the capital is always paid to the credit of the Secretary of State in Council.

2577. Is there any particular object in the stores being obtained for these railways by the Director General. Why should not the railroad be left to get its own stores?—(*Mr. Cave-Browne*). Oh, the Director General of Stores does not obtain any of the stores for the railway companies' railways. The Director General simply procures railway stores for the State railways.

2578. And here you only pay for State railway stores?—In detail we pay the cost of their stores in lump sums to the railway companies to disburse.

2579. Then you give us a heading, "Payments for stores chargeable to provincial and local funds and to Native States"; what are those?—(*Sir Henry Waterfield*) If your Lordship will refer to the home accounts, on page 23, you will see that there are among the charges which are entered in the remittance account, East Indian Railway Company, advances for purchase of stores, &c. 254,720*l.*, South Indian Railway Company, advances for purchase of stores, &c. 82,692*l.* Bengal and North Western Railway Company, advances for purchase of stores, &c. 8,359*l.* Those are three railway companies to whom the Secretary of State makes advances for the purchase of stores, because the first two are working, on the part of the Government, State railways which have been purchased by the Government at different times, and the Bengal and North Western Railway Company is working the Turhoot Railway which was constructed by the State.

2580. "Payments for stores chargeable to provincial local funds and to Native States," what are they?—Stores chargeable to provincial and local funds and to Native States, 213,103*l.* Those are stores demanded by the Government of India for railways in Native States and for works which are under the charge of municipal bodies and port trusts.

2581. And payments to Her Majesty's Government on account of sums received in India?—They are mainly postal and money order transactions, 114,941*l.*

2582. Are they sums levied in India on account of the Imperial Post Office here?—Yes, sums payable here on account of receipts in India.

2583. Then family and miscellaneous remittances?—Those are payments made chiefly through the War Office on behalf of regiments in India, principally for soldiers, but there are also some officers' remittances among them.

2584. That, I think, about completes the list of payments made by the India Office here?—I think your Lordship has referred to the important headings.

2585. In conclusion, I should like to ask you by whom, and at what period of the year, is the estimate of the whole expenditure drawn up?—The estimates are compiled by the Accountant-General, after communicating with the various departments in which expenditure is likely to occur. He brings them together in the course of November, and prepares for consideration remarks in this form.

2586. This is the estimate, is it?—This is a specimen of the estimates which are prepared. They include a revised estimate of the current year, the preliminary estimate for the coming year, and two papers of comparisons of the revised estimate with the Budget for the current year, and of the preliminary estimate with the Budget estimate for the previous year. (*Copy of estimates exhibited.*)

2587. I see you follow the Indian system, and have a revised estimate here?—Yes, those papers, which include remarks prepared by the Accountant-General and myself in explanation of any alterations that have occurred, are sent out in a despatch by the Secretary of State, at the beginning of January; and in that despatch, it is the practice to state what is the amount of the sterling payments that are expected to fall due, and the mode in which those payments will be met. About six weeks afterwards, the Government of India, when they are preparing their Budget, and are in possession of those papers, telegraph to know whether any alterations are needed. A careful revision is then made of all the figures, and a telegram is sent out early in March, which makes any needful corrections of the figures that are in those papers. That enables the Government of India to compile into their financial statement all the figures which relate to the Home expenditure.

2588. And the Government of India is given ample time to criticise or remonstrate against charges which may occur in the Home estimate, as sent out to them?—They have time to do so. In practice they would probably not at that time of the year make a remonstrance against anything, except on the great points, on the amount of bills to be drawn and the amount to be met by borrowing. On these two points it is very common to have telegraphic communication before the financial statement is published.

2589. In what form would the Indian Government remonstrate, if it thought necessary, against a charge under, we will say, some agreement between the Secretary of State and the Home Government, if they did not approve of the bargain that had been made. Would that remonstrance come on the estimates?—It would come in the shape of a despatch from the Government of India, after a consideration of the papers which had been laid before them; but it would probably not be made in direct connexion with the estimates, because it would require more mature consideration.

2590. Quite so. In fact, the criticism and remonstrance of the Indian Government upon any charges undertaken by the India Office and charged to Indian Revenues, would take place upon a specific question being raised before them rather than upon the Budget?—Yes.

2591. But, at the same time, they have ample time for remonstrance if they think it necessary before the Budget is brought out in India?—Yes, if those papers contain sufficient information to enable them to form an opinion upon the point. But the probability is, that there would be nothing in those Estimates increasing the charge in any material degree, which had not already been communicated to the Government of India.

2592. Of course, some questions may arise hereafter, which concern the India Office here, as to the method of providing money. But I think that falls rather into the branch of progress of expenditure than into that of machinery; therefore, I do not propose to ask any questions upon that point now?—Yes.

2593. (*Mr. Buchanan.*) With regard to the last questions of the Chairman, would it be possible for either a new or an increased charge to be put on the revenues of India, and communicated to the Government of India for the first time in this January Despatch, which transmits the Budget?—If the circumstances had very lately arisen which made it necessary, in the opinion of the Secretary of State, to impose a

new charge in the coming year, no doubt the amount would be included in the Estimates; and there might not have been time for a formal despatch, discussing the subject with the Government of India, to have gone out. But I do not think that could arise to any very great extent. It would be only in the case of small charges that any such amount would, as I may say, be sprung upon the Government of India.

2564. As far as your knowledge and experience goes, is it only in small matters that it has arisen?—I think so.

2565. With regard to the question which we were discussing a short time ago, about the entries of stores, would it not be possible, in this Home Accounts paper which is presented to Parliament to have a summary of the amount that is expended by the Home Government upon stores summarised there? Of course, although this Yellow Book is laid upon the table, you are aware that it is not circulated?—I think there would be no difficulty. As the Commission has suggested it, we will see whether such a statement as that which is made in the estimates can be added to the Home Accounts.

2566. There was another point which I think would be of great importance. You were explaining to us at the beginning of the Chairman's examination, the constitution and division of work in the India Office. To those of us who are ignorant in these matters, I do not think the statement as here submitted is very intelligible, because all the important departments are crowded together under Correspondence Department?—Yes, that is the term which was used when the two offices of the East India Company and the Board of Control were amalgamated in 1858; all those departments were ranged under one large heading of the Correspondence Department, and that is the form which is adopted in the establishment as approved by the Queen in Council; it would make the statement very much longer if all the clerks there were divided into special separate departments, but there is no difficulty in doing it.

2567. What struck me when I was listening to your evidence earlier, and comparing it with this paper, was that there are much greater details given in it with regard to the smaller departments in the India Office, than with regard to the larger and more important ones?—It is a report of the establishment as approved by the Queen in Council. I will consult the Under Secretary whether we should give any more detail, if you please.

2568. I think it might be indicated under Correspondence Department, that that includes the large departments of Finance?—There will be no difficulty at all in expressing what the Correspondence Departments are. That is merely to give the six names; that can easily be done.

2569. (Sir William Wedderburn.) I should like to clear up that point about the way that exchange is shown. I understand that the object of having the separate column of exchange is not so much to fix such and such a definite sum, as for the purpose of comparison between different headings of expenditure, and different years of the expenditure?—I would rather say between the same head of expenditure in different years.

2570. Yes, but also, I suppose, to see where the exchange falls—under which different headings the exchange falls from year to year?—It has that advantage.

2571. It would be practically impossible to try to follow the actual exchange, because it changes almost from day to day one may say. You are forced, for the purposes of convenience, to take some standard—some fixed standard?—Yes. The amount which is entered as exchange is calculated on the average rate at which the bills have been sold during the year, or which are estimated to be sold in the case of the budget.

2572. Yes, but what I rather meant was this: I understand that it is rather to keep some sort of comparison between the accounts; the accounts rendered to Parliament are sterling accounts?—They are sterling payments.

2573. And it is to keep before the eye some sort of relative idea between pounds sterling and R. ?—It is to show the additional charge which is borne by the

Government of India in consequence of its having to make these payments in sterling.

2604 But is it not also for the purpose of showing the comparison between pounds sterling and Rx. ?—It has that advantage, but it is not adopted for that purpose.

2605 You will observe that it is necessary to incorporate into the Indian accounts, the sterling expenditure. The Indian accounts being rendered in Rx. some figure must be added to show what that sterling expenditure is as represented in Rx. That is the column of exchange. Taking the figures from the printed statement of the exchanges, supposing we take two periods of 10 years. Roughly, in 1874 we may say that exchange was 1s. 10d.; in 1884, 1s. 7d.; in 1894, 1s. 1d. Well, if a charge was incurred in 1884, there would be by that time a fall of 3d. in the rupee ?—Yes.

2606 How would that 3d. be shown ?—The statement does not show that. It does not show the additional charge arising during any particular period; you must obtain that by subtracting the exchange as shown in the year 1884 from the exchange as shown in the year 1894. You would have to work out the sum. For instance, a payment of 5,000L. a year may have represented in 1884 Rx. 7,000, the addition being Rx. 2,000; and in 1894 it may have represented Rx. 9,000, the addition being Rx. 4,000. You must then deduct Rx. 2,000 from Rx. 4,000, and you find that the increased cost of exchange in the 10 years is Rx. 2,000 on that sum.

2607 Then, if a sterling charge is incurred in 1884 the charge would be accompanied by the 3d. of deterioration, so to say, since 1874 ?—Yes.

2608 And then, if that same charge continued to 1894, it would be burdened with 9d. ?—It would.

2609. One may make a distinction between that 3d. and the 6d., that the 3d. may be said to have been incurred with their eyes open—they knew of that, but the 6d. is automatic or followed involuntarily upon the original expenditure ?—Yes; it is possible so to divide it. In the year 1884, taking the hypothetical figures which I have given, it was known that the payment of 5,000L. meant the payment of Rx. 7,000; that without any alteration of the sterling payment may have automatically become 10 years afterwards Rx. 9,000; and therefore, you may say that the fall in exchange in those 10 years has added Rx. 2,000 to the amount which it was known would have to be paid in 1884. But, at the same time, in 1884 there was the possibility that exchange might have risen. It was not a fixed charge of Rx. 7,000 that was incurred, so that it is difficult to say exactly what was undertaken at that time, and how much has automatically arisen since.

2610. Quite so, and to correct the column about exchange at any particular time, one must make a calculation upon the actual condition of exchange on that date, I suppose ?—To arrive at the calculation which you are trying to bring out, you must make that calculation, but it is not a correction of the charge for exchange. It was an actual fact in 1884, and is again recorded in 1894 accurately.

2611. (*Chairman.*) May I ask a further question in passing. As I understand, Sir Henry, taking that account at page 14, in which the expenditure in sterling is given. The expenditure in sterling for 1893-94 was 15,633,361L. The Rx. in the third column, was 25,792,938. Each of these expresses a fact, does it not ?—Yes.

2612. You paid 15,633,361L. to England, and Rx. 25,792,938 was the exact sum required for that purpose in India ?—At the average rate of exchange for the year.

2613. That is what I want, "at the average rate," because that is a calculation; it is not a fact ?—It is impossible to say what the payments which are going on from day to day have cost throughout the year, except by taking the average. The bills are sold weekly, but they are not sold to meet a specific charge as it has arisen, but generally to replenish the balance of the Secretary of State.

2614. But in the end you must know that a certain number of rupees have gone out ?—In the end you know that the 15,633,361L. sterling cost you Rx. 25,792,938.

2615. But that is a fact that they did cost you that sum in rupees ?—They did cost that amount, calculating at the average rate, which is known.

2616. But it does not necessarily follow that the calculation of the average rate would exactly correspond with the actual?—I think I see your point. The payment of the 15,000,000L. does not comprise all the payments which the Secretary of State made. He drew bills for other sums which I have mentioned as being outside the revenue account, and the average rate of bills is calculated on the total amount, not only on the amount needed for the 15,000,000L.

2617. An average is, of course, correct in the main, but how is it arrived at in this case? Do you say "I know that Rx. 25,792,938 was paid in India I know that my charge here was 15,633,361L. sterling. To what average does that work out?" That would be absolutely correct of course?—Yes.

2618. But if you begin by calculating the average rate of exchange during the year, and then saying "I know I paid 15,633,361L., what number of rupees will that represent?" it does not necessarily follow, does it, that the actual rupees paid out will correspond with the rate so arrived at?—No; it does not necessarily follow that it is quite so. What is known is that the Secretary of State sold bills, we will say, for Rx. 30,000,000, and that he thereby received 18,000,000L. sterling, and the average rate was so much. He then says, "Now I have to pay 15,000,000L. which I have charged on the Revenue, and at the same average I paid Rx. 25,000,000.

2619. It is practically correct, but it is not the actual fact?—It is a calculation.

2620. It is very closely approximate?—It is a calculation made on actual facts.

2620a. (Mr. Naoroji.) I wanted just to understand that a little more clearly. We will take just one year 1889-90, and the average rate is put down at ls. 4 566d. Is that average taken by simply adding up the rates of all the 52 weeks and dividing by 52, or is it the average after taking into account the amount actually sold?—It is the average obtained by taking the total amount of bills sold throughout the year, and dividing that by the sterling amount received in respect of those bills.

2621. (Chairman.) In continuation of the answers you gave us about the military stores, I think I gathered from you that a considerable portion of the military stores is obtained through the War Office, but a certain portion is obtained direct from the Director-General of Stores, and you noted especially, I think, the clothing obtained for Native troops. At page 14 of this explanatory memorandum the stores procured through the War Office are not given in detail, but in your Budget they are given in detail, and I think if you look at that it will enable us to dissect the different accounts. Perhaps you would read them out, beginning with the clothing, clothing for English troops?—In the Estimate for 1894-95 framed in January 1894, the European clothing was taken at 204,500L.

2622. That would be obtained from the War Office?—That would be obtained from Pimlico.

2623. Then next come the clothing for Native troops?—The clothing for Native troops, 34,450L.

2624. And that would be obtained by the Director-General?—Yes.

2625. Now, would you go on?—Ordnance and miscellaneous, 305,700L.

2626. As far as that is Ordnance, that would be obtained through the War Office, would it not?—The bulk of it would, I think; it is possible that we should obtain some of our ordnance stores by purchase by the Director-General. Medical, 25,400L.; that, I think, would be entirely done by the Director-General. Commissariat, 21,160L. That, I think, would be entirely done by the Director-General.

2627. Then there are special works, are there not?—And the special defence works, 38,800L., would probably be from the War Office.

2628. Therefore, when we come to dissect by that means the military stores obtained through the War Office, and the military stores obtained through the Director-General, it points to the result that a very large portion is obtained through the War Office?—A large portion.

2629. Probably out of 700,000L., or 800,000L. worth of stores, 600,000L. worth were got through the

War Office?—I am afraid I cannot assent to that figure without an examination. I do not know what the proportion is.

2630. (*Sir Donald Stewart.*) I think it is almost entirely ordnance stores that are obtained from the War Office?—Mainly ordnance stores and European clothing.

2631. (*Chairman.*) That would carry you up at once to 600,000*l.*?—It may; I would rather look into the matter. Perhaps the Commission would allow me to put in the accurate figure if I can. In 1894-95 the payments to the War Office amounted to 357,013*l.*, and the military stores purchased by the Director-General to 255,982*l.*

2631. (*Sir Ralph Know.*) As regards the amount which is included in the budget for stores furnished by you to the Indian Government you have previously received a demand from the Indian Government as to the stores that they will require to be sent out, have you not?—Yes. They are all obtained on indents from India.

2633. Then, on receiving a demand for quantities you make the best estimate you can of what the cost of these stores would be?—Yes.

2634. Either in communication with the War Office or under your terms of contract, and so on?—Yes.

2635. Then you include that figure in the statement which is rendered to the Indian Government which they include in their budget?—Yes.

2636. After you have made an estimate of stores in that way, practically on their demand, when they have received the figures in India do they demur or frequently modify their demands as regards stores?—Yes. It is not uncommon for them, if they find that the estimate which has been sent out is more than they are prepared to pay for in their military budget, to postpone some part of the demand, by telegraph, to a future year.

2637. Then the demand that you receive earlier in the autumn is not a final demand for stores upon which you could act or give orders?—Action is taken, and, if at a later date the Government of India correct it, the correction is made, if practicable. It may sometimes be that the correction comes too late to be adopted.

2638. (*Chairman.*) Before you go away, Sir Henry, I should like to ask you whether you have an explanation to offer with regard to the point that Mr. Naoroji raised, namely, the saving that might accrue from the employment of Natives instead of Europeans in certain circumstances?—At Question 1017-8 I was asked what proportion of the 60 lakhs of rupees which (according to page 48 of the Correspondence on Financial Control) was in 1889 paid to officers of the Account and Audit Department, was drawn by Europeans, with the view of seeing to what extent it might be possible to effect a saving by the substitution of Native agency. We have been able, in some measure, to make an estimate as regards the Civil Department and Post Office, which, according to the estimates, now cost 26½ lakhs. The portion of this sum paid to non-domiciled Europeans, including Exchange Compensation Allowance, is about 3½ lakhs, of which a considerable part is personal to the existing officers, and will, in any case, be reduced as vacancies occur. On the salaries now paid the saving by the employment of native agency would be about 1½ lakhs, if it could be assumed that the officers to be employed in the higher offices could be paid at a rate less by one-third than the present scale. I am unable to say how far a proportionate calculation can be properly applied to the Military and Public Works Departments; but, if it be adopted, the total saving on the 60 lakhs would be about 4 lakhs. It is, however, to be remembered that a lower scale of pay has already been applied to the larger number of those in the Account Department, and that it is not probable that the two-thirds rule could be enforced on this scale.

2639. (*Mr. Naoroji.*) There is some misunderstanding about what I mean. I just took the Europeans and their salaries, and said that if Natives were appointed in their place to rise to higher salaries of Rs. 500 and upwards, they could be appointed, or should be appointed in justice to the taxpayer at two-thirds the salary. Well, wherever such an appointment is made, there will be a saving of one-third, that is what I mean. I do not know how it has worked out, and of course I cannot say anything more about it than that there is some misunderstanding about what I said. Taking say the whole Civil Service by itself, the Uncovenanted Civil Service and all the higher pay officials, if any number of European officials were displaced by Indians and these Indians were paid only two-thirds of their

salary, the saving therefore would be one-third of those salaries?—Your question referred to the Account Department.

2640. That particular department, yes. I took in that particular department, and the European portion of it?—The two-thirds scale of salary to which you refer has been adopted in regard to the Natives in the Covenanted Civil Service.

2641. In the statutory service?—In the statutory service, I should say. The exact two-thirds has not been adopted in fixing the scale of pay for the provincial service, but approximately it is so. The salaries for the provincial service are fixed at a scale which is about two-thirds of that which is paid to the imperial service. My point is that that provincial scale has already been applied largely in the account department, that the Europeans who are employed there, and the Natives, draw the same scale of pay, and therefore that there is no reduction to be anticipated by substituting Native for European agency. That remark does not refer to the few European officers at the head of the department, who undoubtedly are drawing more than Natives would in their places, and to that extent I have allowed for a possible reduction, although I do not think it would be effected in practice.

2641a. (*Mr. Naoroji.*) Well, I will not go further at present, because I say that there is some misunderstanding. I am only talking of those Europeans who are paid by the European scale of salaries?—Yes.

2642. And if Indians were placed in their places, they would receive so much less?—Yes.

2643-4. That is only one element of saving, and we have gone into other elements, but that is only one element where the European is paid at the European scale of salary, while an Indian substituted for him would receive two-thirds. That is all I mean. I see your point, but you must not suppose that on the 80 lakhs in the accounts departments, anything like one-third could be reduced by the substitution of Native agency for Europeans.

2645. I do not say that it could be reduced. I only wanted to direct attention to the rule of the Secretary of State, to show that if the rule is enforced in all the higher departments, there will be so much saving?—Yes.

2646. Have you made a calculation regarding what you stated just now, giving the details of how you worked it out, or only the statement?—I have only given the calculation, for what it is worth. If you wish to have it accurately, we must refer to the Government of India.

2647. I mean this particular statement that you made just now, in which you calculated that the difference would be only so much?—Yes, I have not put in the details.

2648. Perhaps you can supply me with the details by which you made this out?—If Mr. Naoroji would allow me, without troubling the Commission—it is a very imperfect calculation—I will show him how I arrived at my figures.

2649. That is all. I do not want to trouble the Commission with all these details. That is all I mean?—I will do that.

The witness withdrew.

Mr. WILLIAM GODSELL called in and re-examined.

2650. (*Chairman.*) What position do you hold at the India Office?—I am Auditor of the accounts of the Secretary of State for India in Council, under the 52nd section of the Act 21 & 22 Vict. cap. 106.

2651. How long have you held that post?—Since last January.

2652. Would you read the section of the Act under which you were appointed?—"It shall be lawful for Her Majesty, by Warrant under Her Royal Sign Manual, countersigned by the Chancellor of the Exchequer, to appoint, from time to time, a fit person to be Auditor of the accounts of the Secretary of State in Council, and to authorize such Auditor to appoint and remove from time to time such assistants as may be specified in such warrant; and every such Auditor shall hold office during good behaviour; and there shall be paid to such Auditor and assistants out of the revenues of *India* such respective salaries as Her Majesty, by warrant as aforesaid, countersigned as aforesaid, may direct; and such Auditor shall examine and audit the accounts of the receipt, expenditure, and disposal in *Great Britain* of all monies, stores, and property applicable for the purposes of this Act; and the Secretary of State in Council shall, by the officers and servants of the establishment, produce and lay before such Auditor, from time to time, all such accounts, accompanied by proper vouchers for the support of the same, and shall submit to his inspection all books, papers and writings having relation thereto, and such Auditor shall have power to examine all such officers and servants in *Great Britain* of the establishment as he may see fit in relation to such accounts, and the receipt, expenditure, or disposal of such monies, stores, and property, and for that purpose, by writing under his hand, to summon before him any such officer or servant; and such Auditor shall report from time to time to the Secretary of State in Council his approval or disapproval of such accounts, with such remarks and observations in relation thereto as he may think fit, specially noting any case, if such there shall be, in which it shall appear to him that any money arising out of the revenues of *India* has been appropriated to other purposes than those of the Government of *India*, to which alone they are declared to be applicable, and shall specify in detail in his Reports all sums of money, stores, and property which ought to be accounted for, and are not brought into account, or have not been appropriated, in conformity with the provisions of this Act, or have been expended or disposed of without due authority, and shall also specify any defects, inaccuracies, or irregularities which may appear in such accounts, or in the authorities, vouchers, or documents having relation thereto; and all such Reports shall be laid before both Houses of Parliament by such Auditor, together with the accounts of the year to which the same may relate."

2653. That is rather an unusual provision; is it not, in Indian appointments; that is to say, the Warrant is countersigned by the Chancellor of the Exchequer, not by the Secretary of State?—The Secretary of State nominates; the Chancellor of the Exchequer, I believe, has the right of veto. That was, as I understand, the arrangement that was entered into a few years ago.

2654. There was a question, was there not, between the Chancellor of the Exchequer and the Secretary of State, as to the meaning of this provision?—There was.

2655. And that was the arrangement finally arrived at?—Yes.

2656. But the object of that section is to establish the independence of the Indian Auditor?—Quite so.

2657. I mean his independence *quoad* his relation to the Secretary of State. The Queen's sign manual is countersigned by the Chancellor of the Exchequer, and the officer so appointed holds office during good behaviour?—Yes. With regard to myself I might say that in consideration of the new Treasury regulations with regard to limit of age, I have accepted the condition of retirement at the age of 65, but that does not interfere with my independence.

2658. Would you describe the duties of your office?—The system of audit in operation may be considered under three heads: (1) The correctness of the items

(receipts and payments) in detail; (2) the appropriation of those items to their respective heads of account; and (3) the correct appropriation of the expenditure as against the revenues of India, provided for in the 52nd section of the Act 21 & 22 Vict. cap 106. The receipts and payments are recorded by the Accountant-General in a series of registers, the totals of which are carried into a monthly cash account, which is submitted for audit. By a system of carrying forward, these cash accounts not only show the transactions of the month, but also the aggregate transactions of the financial year to the close of each month. I have brought one account which I can lay before you. That is the account for the month of June last (*exhibiting account*).

2659. That is the account which is brought before you?—That is submitted to me for audit. I merely submit it to you to show the form.

2660. Quite so?—The correctness of the Accountant-General's register is first verified by a comparison of the entries with the vouchers in support thereof, and after making the necessary additions, &c. the totals are compared with the cash account. The vouchers are then examined in detail as to authority and accuracy, and any objections taken to them are submitted as queries to the Accountant-General, who either replies to them himself or furnishes the reply of a departmental officer concerned in the transaction. If the reply is satisfactory the item is passed, if not, a further query is made, and eventually the item is surcharged or disallowed (as the case may be) if the explanation is still unsatisfactory. Many of such surcharges and disallowances are adjusted within the period of the financial year, and only those items which remain unadjusted are mentioned in the Auditor's Report to the Secretary of State in Council for submission to Parliament. The authority of the Secretary of State in Council is usually accepted, but occasional items have been reported when, although so authorized, the provisions of the Act do not appear to have been complied with. A similar course is pursued in respect of stores and other property of the Secretary of State, the Director-General and others being substituted for the Accountant-General. The foregoing applies to the Post Audit duties of the Department, as considered under the three heads above referred to; but it has been found both convenient and to the financial advantage of India that the Auditor's duties should not be strictly limited to a Post audit. There are many cases in which Receipts and Payments are to some extent pre-audited, either (a) because the vouchers and papers in support of an account have to be sent away (this is chiefly in regard to claims on the Imperial Government by the Government of India), or (b) because the opinion of the Auditor is desired by the India Office Department concerned before admitting a claim, on the ground that prevention is better than cure. It has further been a traditional practice to refer many questions of principle, contracts about to be made, arrangements with other Government Departments, &c., to the Auditor, as focussing in some sort information derived from the Papers of all the various Departments, and because such matters frequently involve the question of the due appropriation of Indian Revenues in conformity with the provisions of the Act.

2661. What staff have you?—My staff consists of 18 officers and clerks.

2662. And I think I gathered that the cost is from 6,000*l.* to 7,000*l.* a year?—About; it is so stated in the last return to Parliament.

2663. What return are you quoting from, the Home accounts?—Yes, page 5, of the Home accounts for 1893-4, presented on the 3rd May this year, 6,723*l.* 12*s.* 0*d.*, the cost was slightly reduced, I think, in the subsequent year.

2664. The section of the Act which you have read, under which you hold your appointment, directs you to make a report on the accounts of the year, when they are laid before you, and to present that report to the Secretary of State, and it orders further that all such reports shall be laid before both Houses of Parliament?—Yes.

2665. I have before me your report for the year 1893-4, and I notice that the form of that report corresponds generally with the form of the report which the Comptroller and Auditor-General here makes upon the Imperial accounts?—I have really followed the form which was introduced by the late Auditor, who came from Somerset House.

2666. He came from Somerset House? I thought I recognised the form?—I have not departed from it.

2667. In this particular account there is no irregularity that would require any particular notice, but as a sample of the manner in which you have discharged the duty, I will take paragraph 15, relating to the subsidy for manning and maintaining Indian Government vessels.—“The amount of the annual subsidy is 59,600L., the balance of 1,408L. being an adjustment in respect of the year 1892-3. Evidence asked for by my predecessor of the fulfilment of the conditions upon which the subsidy is payable not having been furnished, I am unable to certify the correctness of this item”?—Yes.

2668. That is a fair sample of the manner in which you note any irregularity, and call attention to it?—It is the first time I think that such an item has been reported in that way, and my difficulty will be how to deal with it next year. I might be guided perhaps by the Commission on such a point.

2669. Well, in this case this is a difference between yourself and the India Office?—Yes, quite so.

2670. The India Office demur—do I gather that—to supplying you with information?—To supplying information.

2671. How do you interpret the powers given to you by the Act. This section, as I read it, does not directly give you the power of disallowance. It refers to a power of disallowance, but I do not see that it gives it you. “Such auditor shall report from time to time to the Secretary of State in Council his approval or disapproval”?—Yes.

2672. That wording hardly carries, in my mind, the absolute power of disallowance?—No; we have adopted this plan in the case of direct short recoveries or overpayments; we have surcharged or disallowed them respectively. Mr. Cocks inaugurated this plan, and, I think, with some success.

2673. In cases where there is difference between yourself and the India Office the question would arise immediately as to your powers?—Yes.

2674. There can be no question of the power to report your disapproval, but that does not, I think, necessarily carry a power of disallowance. Your powers, to my mind, derived from this Act, more resemble the powers of the Comptroller and Auditor-General here. The Comptroller and Auditor-General has no power of disallowance; he reports to the House of Commons; and that looks to me like the form in which this report is drawn?—Yes.

2675. But in this case you report the disallowance to the Secretary of State?—Yes.

2676. And therefore it would lie with the Secretary of State in a case in which his own office was concerned, to press the charge to which you objected or not?—I suppose that is so.

2677. No remedy is provided?—Not at present.

2678. And then the report is presented to the House of Commons; there is no procedure by which the House of Commons could take notice of such an omission on the part of the Secretary of State?—No.

2679-80. Therefore that audit, though it approaches very closely in its efficiency to the audit of the Comptroller and Auditor-General, wants that final sanction which secures, in the case of the Imperial Government, the officer committing an irregularity being brought actually to book?—It appears to me that that is just the one lack, and that if there were such a power of reference, as in the case of the Comptroller and Auditor-General, to a committee of the House of Commons, or perhaps to a committee of both Houses of Parliament (the Auditor's report in accordance with the Act is presented to both Houses) it would, I think, tend to support the independence of the Auditor, it would give finality to his report, and it would also strengthen the hands of the Secretary of State in his dealings with other public departments.

2681. Do I understand you that this instance, paragraph 15, page 25, to which I have called your attention, is the first instance which you know of, since the Auditor has been appointed, in which there has been any difference between himself and the office of the Secretary of State as to the manner in which required information should be supplied?—It is the first instance in which the Auditor had reported in the

face of a Council minute definitely sanctioning or passing a payment after it has been questioned by the auditor.

2682. Therefore, so far it is a good instance by which to test the word you used now, the finality of the audit?—Yes, I have here a report by Sir Charles Jackson on the account of 1872-73 in which he drew attention—

2683. Was Sir Charles Jackson the predecessor of Mr. Cocks?—Yes, the predecessor of Mr. Cocks. He took exception to the payment for the Consular establishments in China.

2684. Would you read the form of his objection?—I am afraid it is rather too long to read.

2685. Never mind, tell us the substance of his objection?—The amount in this particular year was 19,655*l.* 18*s.* 11*d.*

2686. And what were the grounds of his objection?—He considered that India was not chargeable, on principle, with so large a sum. The result was that the matter was taken into consideration by the Secretary of State in Council, and the sum of 12,500*l.*, I think you will find is the amount now paid on that account. Such was really the result of this report of Sir Charles Jackson, although no action was avowedly taken upon the report.

2687. I suppose he reported under the powers given to him. "Each auditor shall examine and audit the account of the receipt, expenditure, and disposal in Great Britain of all monies, stores and property applicable for the purposes of this Act"?—Just so.

2688. That is rather a wide interpretation of the power is it not? As I understand, that criticism is rather a criticism of policy than of irregularity of account. He did not dispute the power of the Secretary of State to charge this amount, did he? Does not the conclusion of his remark sum up what he objects to?—Yes: the statement in the certificate runs thus, "That the payment referred to in the charge printed in italics, being the second charge under the head of Political Agencies and other Foreign Services on page 7, and amounting to 19,655*l.* 18*s.* 11*d.*, for Her Majesty's establishments in China, although in accordance with previous payments, does not appear to me, for the reasons contained in my separate report annexed, to have been appropriated in conformity with the said Act, clauses 2 and 52." That is, I think, the only report of the kind which has been so definite.

2689. "And all the territorial and other revenues of or arising in India, and all tributes and other payments in respect of any territories which would have been receivable by or in the name of the said Company if this Act had not been passed, shall be received for and in the name of Her Majesty, and shall be applied and disposed of for the purposes of the Government of India alone, subject to the provisions of this Act." That is clause 2. Then you would consider it a part of your duty to report if in any respect the Secretary of State exceeded his powers?—That appears to have been the view taken by Sir Charles Jackson, who had been a Judge of the High Court in India.

2690. I understand that you, in the case of minor charges, actually disallow, and that the India Office then enforce the disallowance?—Yes, as a rule. Occasionally the amount is written off under the authority of the Secretary of State in Council.

2691. You have reported this disallowance, and the Secretary of State passes the amount?—Yes, that is so.

2692. Of course, very often the Auditor reports a charge for a disallowance because the payment is irregular, but he does not at all mean by that that the amount ought to be disallowed against the accountant?—No. There is a case in point in this particular report, on the following page under Clause 23: "An erroneous payment of 250*l.* 14*s.* 3*d.* included in this amount must be disallowed." It was a pension granted erroneously, contrary to the regulations, and about 102*l.* has been recovered from the widow to whom it was paid, and the remainder, being irrecoverable, was written off by the Secretary of State.

2693. Therefore, as far as the practice goes, you report the disallowance and the Secretary of State exercises his judgment, and either removes the disallowance or enforces it?—Yes; and the amount so disallowed would in the next year be reported as disposed of to clear the account.

2694. Yes. But now, coming to that case in which information has not been given you to enable you to notify it, I suppose it is too early to ask what course you will pursue in case the same circumstances occur next year. The difficulty has not yet arisen; perhaps it is not a fair question to put; and I will not put it if you have no precedent?—I have no precedent; that has certainly to be considered.

2695. Does the Secretary of State take any action upon your report? Is any minute or letter written dealing with the different points which you have raised?—The report is laid before the Secretary of State in Council with a statement showing in regard to each point of my report what action, if any, has been taken.

2696. Is that minute not laid before Parliament?—The minute is communicated to me, but it is not laid before Parliament.

2697. That would be a matter for consideration, whether the minute which the Secretary of State passes upon the report, should not be added?—I think it might.

2698. Following the case of the Imperial Government possibly you are aware that the Treasury always draws a minute, which is laid before the Public Accounts Committee, recounting its action upon every item to which the Comptroller and Auditor-General has called attention, and upon which the Committee has expressed an opinion. Therefore, the Committee in the following session has its attention directly called to those points upon which the Treasury has not given effect to its suggestions or recommendations?—I have seen such a minute.

2699. But nothing is laid before Parliament showing the action of the Secretary of State upon your report?—Nothing.

2700. (*Mr. Buchanan.*) This report of yours is sent to the Secretary of State, and by him laid before Council, and a minute passed upon it?—It is presented to Parliament before it is really laid before Council.

2701. And there procedure ends?—My report has to be laid before Parliament "within the first fourteen days during which Parliament may be sitting next after the first day of May in every year," and it is usually dated only a few days before presentation.

2702. I see in this report there is another case in which you say you are unable to certify the correctness of certain amounts; paragraph No. 22?—That is so.

2702a. Has anything been done?—Nothing has been done yet on that report.

2703. (*Sir William Wedderburn.*) The warrant of your appointment is under Her Majesty's Sign Manual, countersigned by the Chancellor of the Exchequer?—Yes.

2704. Can you give the Commission a copy, or show the original?—I can show the original. I will send for it, if you please.

2705. I should like to see the form. (*Witness exhibited the Royal Warrant for his appointment.*) Under Section 52 it is part of your duty "to examine and audit the accounts of the receipt, expenditure and disposal in Great Britain, of all monies, stores, and property applicable for the purposes of this Act"?—Yes.

2706. "The purposes of this Act" is also used in Section 2, at the end?—Yes.

2707. I should like to ask you whether you consider that those words "the purposes of this Act" include anything beyond the internal administration of India?—Stores and property in this country.

2708. I wanted to understand how far those words were supposed to extend?—"For the purposes of this Act" would apply generally to the Government of India, I imagine.

2709. The internal Government of India?—The Government in India, do you mean, as well as the Government by the Secretary of State?

2710. I mean, do you consider that this restricted the expenditure to purposes connected with the internal administration of India in matters outside India?—Yes; Indian stores, property of the Secretary of State. I have no control over any other property excepting that which is vested in the Secretary of State in Council.

2711. (*Chairman.*) The question is, "The accounts of the receipt, expenditure, and disposal in Great Britain"?—Quite so.

2712. It confines your powers to the action of the India Government in Great Britain?—In Great Britain—Yes.

2713. (*Sir William Wedderburn*) Yes, but those stores are applicable "for the purposes of this Act." I wanted to understand what "the purposes of this Act" were; whether you considered they were purposes confined to the use of the internal Administration of India, and if not, what other purposes could it be supposed to be?—The stores upon which I have to report are, speaking generally, those which are purchased by the Director-General of Stores, and shipped to India for the purposes of the Government of India. There are, however, books, maps, and other property in England the purchase and disposal of which come under my examination.

2714. They are for the most part indented for by the Government of India?—That is so.

2715. What I would like to know is how you ascertain whether a home charge arising out of transactions in India is expenditure "for the purposes of the Act"?—I should accept an indent from India as being an indent for stores required for the Government of India.

2716. You have no means of testing whether those stores are to be used "for the purposes of the Act"?—No.

2717. (*Chairman*.) You say what becomes of them; that they are sent out to India?—We trace them to their arrival in India.

2718. (*Sir William Wedderburn*.) Then under the section you are entitled to receive from the Secretary of State accounts accompanied by proper vouchers with all books, papers, and writings having relation thereto?—Yes.

2719. Have you experienced any difficulty in obtaining all those vouchers and papers that you require?—No. I think I may say no to that; my relations with the Heads of departments in the India Office are friendly, and I have really no difficulty.

2720. Then you have power to summon witnesses?—I have.

2721. Can you give me the name of witnesses who have been summoned by you or your predecessor?—No—no one has been summoned. Our examination is done chiefly by correspondence, and we have had no difficulty in obtaining information in reply to queries excepting on one occasion, and that we settled verbally.

2722. Can the Secretary of State be included among the witnesses?—I am not quite sure.

2723. "All officers and servants in Great Britain"?—Yes, I do not think that the Secretary of State is included.

2724. (*Chairman*.) "The Secretary of State in Council shall by the officers and servants of the establishment"—that puts the officers and servants of the establishments outside the Secretary of State, does it not?—Yes, I think so, "to examine all officers and servants in Great Britain"; they represent the Secretary of State I imagine.

2725. (*Sir William Wedderburn*.) Can you produce specimens of reports of approval and disapproval. "Such auditor shall report from time to time to the Secretary of State in Council his approval or disapproval and such account with such remarks and observations." Are those separate; are such reports of approval or disapproval apart from this report which has been placed before Parliament?—No, this is a summing up of the year's transactions and the Auditor's report on the transactions.

2726. Then there are no reports of approval and disapproval?—Well, they would be scarcely termed reports in the sense of the word in the clause. We write reports on different subjects at the request of the Secretary of State, as stated in my leading evidence.

2727. Can you give instances in which you or your predecessors have reported cases of money out of the revenues of India being appropriated to other purposes than those of the Government of India?—The one that I referred to as reported on by Sir Charles Jackson.

2728. That is a long time ago?—That is so; I have no recollection of any other case.

2729. Under Section 55 of the Act the consent of both Houses of Parliament is required for expenditure on military operations beyond the external frontier of India. How do you ascertain that due authority has been obtained for expenditure arising out of those operations incurred in Great Britain?—I do not think that expenditure would come under my cognizance at all; it would be incurred in India.

2730. But you would provide the stores?—But the stores would be provided for the purposes of the Government of India. As to their disposal by the Government of India, over that I have no control.

2731. Have you no cognizance, for example, if a war beyond the frontier is going on? If stores are sent with reference to that war, do you have no cognizance of the purposes for which those stores are to be used?—I might perhaps have such cognizance, but it would, I think, be beyond my functions to question the disposal of stores by the Government of India.

2732. (*Chairman*.) It would not be the disposal of the stores in Great Britain?—No.

2733. (*Sir William Wedderburn.*) But would there not be reason to think that under Section 55 those stores were not going to be used "for the purposes of this Act"?—That would hardly justify me in making a report on the subject.

2734. Then do you not consider that you have any duties under Section 55 to decide whether the consent of both Houses of Parliament has been obtained for such expenditure?—I have no powers under that clause.

2735. Except so far as the question arises whether the expenditure is "for the purposes of the Act", that is to say, for Indian purposes?—For Indian purposes.

2736. (*Chairman.*) I suppose if you found Indian stores being applied for the use of the War Office here, you would consider that would not be a disposal according to the Act in Great Britain, and you would report that probably—I am putting, of course, an impossible case?—I can give you a possible case in which a large gun was ordered for the Government of India from Woolwich, which was subsequently transferred to one of Her Majesty's ships, and the Government of India was repaid for it, or rather the advances made in respect of it were repaid, and another gun substituted; but I should not consider it necessary to report such a transaction.

2737. (*Sir William Wedderburn.*) But if stores were being sent to Persia or Egypt or Abyssinia from your stores under the control of the India Office, would not that be a case where it would be necessary to check the use of the stores?—Yes, if they had been paid for by the Secretary of State in Council; but we see that such stores are shipped to and delivered in India, or that the Secretary of State recovers their value. I have a query in point. It is a small item, but it will illustrate the particular point. It is a payment to the Birmingham Small Arms and Metal Company. A contract made by the War Office on behalf of India. The total number of cartridges supplied and paid for was 4,870,166, whereas the total shipments amounted to only 4,869,680, showing a short shipment of 486. Information was requested how this discrepancy had arisen, and how it would be adjusted. The Director-General of Stores made the following reply:—"I regret to find that the case is as stated by the auditor. The 486 cartridges in question whilst at Woolwich were damaged. Steps are being taken by the War Office to credit their value to India." That is, of course a very small item, but it illustrates what we should do in the case of stores not being shipped to India that were paid for by India.

2738. Can you point out in the accounts items of expenditure incurred in Great Britain arising out of the Chitral Expedition?—No.

2739. You have no means of knowing what is done with those stores, or of exercising any control over their use?—No.

2740. Then it does not come within your province to consider whether, for example, Chitral is within British India, and whether money expended there is money expended "for the purposes of this Act"?—That I say will be dealt with by the authorities in India; it is not expended by the authorities in Great Britain.

2741. I ask these questions because I believe that very great importance was attached to the institution of your office when the Act of 1858 was passed. As you are aware, there was careful inquiry on each occasion before the renewal of the Company's Charter; and I think the object of this appointment was in great measure to exercise that check over financial expenditure which was exercised by those enquiries. I ask these questions, therefore, to ascertain whether, supposing the stores obtained here and not used for the purposes of India "for the purposes of this Act," whether you have any means, if the matter is brought to your notice, of preventing wrong application of those stores or of funds in any way beyond the proper purposes of India. That is the object of my question?—I have no knowledge whatever of the disposal of stores in India.

2742. You would not consider it necessary to make any inquiry as to whether those stores were being used for, as you might consider, a wrong purpose?—No, I think not.

2743. (*Chairman.*) You could not go, under the provisions of that clause, beyond the question of the disposal in Great Britain could you?—I think not.

2744. (*Sir William Wedderburn.*) In carrying out your audit you decide whether there is any legal or technical objection to any particular item of expenditure?—Yes.

2745. Would you also consider whether the expenditure of a particular item was necessary and reasonable, and judicious?—Yes, in some instances. Here is another query to the Store Department. This is a claim from Messrs. Baron Harvey & Co. for drugs. "There is in this claim an item of 38 lbs. of *Oleum anisi*, at 9s. 3d. per lb.—17l. 11s. 6d., and bottles 4s. 9d. together 17l. 16s. 3d. to meet a demand in the 1894 Annual Bengal Medical Indent, Eastern Circle. But this demand seems already to have been met by the supply of a similar quantity at 7s. 3d. per lb. on voucher 3064 October 1894 attached. As the second supply appears to be in excess of the Indian demand, it is requested that the sanction of the Secretary of State in Council may be obtained for the expenditure of 17l. 16s. 3d." This is the reply. "The annexed Council Minute dated 12th July 1895, sanctions the expenditure of 17l. 16s. 3d. for the duplicate supply."

2746. (*Chairman.*) But that is a question of the double supply, not of the reasonableness of the supply. Sir William Wedderburn asked you whether you would look into the reasonableness of it. But I think the way the auditor looks at it is whether the expenditure is duly vouched and incurred under proper authority. It hardly falls to him to consider the reasonableness of it. The instance you give there is a most proper instance for an auditor to call attention to, viz, a double supply; he only asks the authority of the Secretary of State for this second supply. That is a different question from that whether it was reasonable. Would you, as an auditor, think it part of your duty to inquire whether a certain set of coats are made of a reasonable kind of cloth, or in fact any other instance you might pick out?—Not as regards the post-audit system. As, however, we have papers and documents coming to us from all departments of the India Office, we are sometimes able to raise questions of the character referred to, which, as I have already explained, do not come within the limits of post-audit. I will give an instance: Some years ago at least four different departments were making passage allowances to officers proceeding to India, at different rates for similar grades. With this information before us, we raised the question as to whether it would not be desirable that the passage allowances should be reconsidered with a view to the rates being assimilated in all departments. That report was taken into consideration and adopted, and the rates are now quite different to what they used to be.

2747. (*Sir William Wedderburn.*) I would give just an example to test what I was saying about this Chitral business. Would you consider that telegrams when sent to places beyond the external frontier, with regard to the affairs beyond the frontier, and paid for here, were expended for the purposes of the Act?—It

was decided a few years ago when Lord Salisbury was here, that the Auditor was not to see the telegrams, as they were more or less of a confidential nature. The private secretary to the Permanent Under Secretary of State certifies that the account for telegrams is correct, and we have to accept that certificate. We are, therefore, not acquainted with the contents of the telegrams.

2748. Yes, but you would know where they were sent to, perhaps?—They would be sent probably to Simla, or to Calcutta, as the case may be.

2749. (*Chairman.*) You would not be aware whether the telegrams were sent outside the frontier?—No, we should not be aware.

2750. (*Mr. Ryder.*) I have been very much struck Mr. Godsell, by one power of criticism which seems to belong to you. Apparently if you met with a payment in this country which is on account of some service outside India, it is open to you to consider and form your own judgment whether that service properly belongs to the Government of India, and whether therefore, the payment is one which you ought to pass without comment or not. Take an instance. You might find that here in England, a payment was being made to the Admiralty for the services of ships in Indian waters. It would be open to you to consider first, whether the services of those ships were properly Indian services; then, further, whether the value attached to those services was a correct one or not and, even though the value put upon them had been settled by the Secretary of State for India in Council and by the Government here in England, the British Cabinet, you would nevertheless form your own opinion of the value, and say that instead of 100,000*l.* only 80,000*l.* was the value, and you might attach a report in that sense to the Home accounts, and have it sent to Parliament. Is not that so?—I think that may be so.

2751. It is entirely a matter of discretion with you.—Yes.

2752. However important the question, however much it involves a policy, you are perfectly at liberty to form your own judgment upon it, and to express a judgment in a report which has to be laid before Parliament. Is not that so? For instance, under paragraph 22 of this report you will observe that the soldiers in India are paid for at the rate of 7*l.* 10*s.* per head?—Yes, I should say that is so. If I could have discovered that that 7*l.* 10*s.* was clearly an unreasonable rate I think I might have reported that to Parliament.

2753. Although it might have been agreed to by all the highest authorities of India and England?—Yes, there might be some difficulty; it would require to be very carefully put.

2754. I only wish to bring out the very extraordinary power which you seem to possess; I do not know any precise parallel to it?—I may mention that some few years ago many questions were raised on the payments for ships in Indian waters. The Auditor disputed the right of the Admiralty to include the two ships which were employed on slave duty in the Red Sea as part of the six ships for which 70,000*l.* a year was paid.

2755. That would be a matter of detail, which naturally would belong to the Auditor, no doubt. You would say "A certain agreement has been made, and I think that the particular payment is outside that agreement," but your powers go far beyond that, it will be open to you to say, "Notwithstanding that agreement, it was a wrong thing that India should be charged with any payment at all for ships on the high seas," if you thought so?—Yes.

2756. That seems to me a very remarkable power indeed?—But, in that case, the agreement, in all probability, would be laid before Parliament, and, therefore, it would be unnecessary to report it.

2757. Would it be enough to have a simple reference to it in the estimate presented to the House of Commons: would you think that that implied the sanction of both Houses of Parliament so as to come within the terms of the Act under which you act yourself?—The accounts of the Secretary of State in Council in which such items paid under agreement are distinctly shown, are, in fact, laid before both Houses of Parliament.

2758. You would not require any formal record of the approval of both Houses of Parliament of the agreement?—No, I think not.

2759. You think it would be enough to have a reference to it, in a footnote of an estimate?—I think so, if that estimate had been approved by Parliament, as taken in connexion with a proper description of the item in the accounts of the Secretary of State in Council presented to Parliament.

2760. (*Sir Ralph Knox.*) These accounts that you examine and report upon have undergone a previous examination, have they not, in the India Office?—By the Accountant-General.

2761. Yes?—They are examined by him before they are paid.

2762. But, for instance, here is a case of the Royal Engineering College, do not the accounts that are sent in from there undergo any examination in the Accountant-General's Departments?—Yes, but it would be before they are brought into the cash account submitted to me for audit.

2763. But here I find that you have called for several small amounts, 11*l.* 9*s.* 11*d.* and 9*l.* 1*s.* 5*d.*, due for the sale of provisions, &c., and garden produce respectively, not having been received to be surcharged. Does that show the fact that that has not been noticed by a previous examiner?—They were items which should have been recovered; one item had been standing for several months. Three months are allowed for such recoveries to be made, *e.g.*, any outstanding amounts recoverable in the month of December would be surcharged at the close of the financial year.

2764. These claims had not been written off in the books of the College; they were still liabilities which they contemplated realising?—Yes, that is so.

2765. But you thought they had not done so in time? Yes.

2766. That is practically the case?—Yes, probably these amounts will be recovered, as in former years; some amounts do lapse, but we take this particular form of dealing with such items.

2767. I see you have recovered on an item of 10,055*l.* 4*s.* 8*d.* the sum of 2*s.* for army non-effective. What was the nature of that; was it a computation that was wrong?—I am not quite sure that I can give you that information off-hand. In all probability it would be a computation. The 2*s.* is a trifling amount, but we endeavour to be consistent.

2768. Do all the amounts in every detail undergo an examination by your department?—Yes, with a few exceptions.

2768A. It is not a test examination in any way: it is a complete examination?—There are a few accounts which are tested.

2769. Do they involve large sums of money?—The Indo-European Telegraph accounts, for instance, are tested, and it was reported by the late Auditor, in a previous report, that it was his intention to do so. This was not disputed, and that plan has been adopted.

2770. I see in regard to this subsidy to the Admiralty, as to which you raised a large question, you say, "Evidence asked for by my predecessor of the fulfilment of the conditions upon which the subsidy is payable, not having been furnished, I am unable to certify the correctness of this item." What evidence did you expect to receive about it?—The conditions require the supply of a certain number of men, and we had no evidence that those men were on the station.

2771. It distinctly requires a certain number of men?—There are certain complements of men required for the harbour defences of India, and we have had no information that those complements have been maintained.

2772. Would the certificate of the Secretary of State that the ships had been manned and maintained be sufficient?—I think not. The Secretary of State would hardly know whether they had or not. That was the nature of the query, and the query has not been satisfied—there has been no satisfactory reply.

2773. (*Sir Donald Stewart.*) You are not aware that that matter has been finally settled between the Secretary of State and the Admiralty?—That would be subsequent to the date of my report.

2774. (*Sir Ralph Knox.*) I see there is a contribution towards the expenses of Her Majesty's ships, employed

in the Indian Seas, as to which an advance has been made, and which appears also to take the form of a subsidy. Do you require evidence of the service having been executed in that case?—That subsidy has only recently been fixed. The adjustment of the advances comes in a subsequent account.

2775. And is that for a definite service?—That is for a definite service of ships.

2776. As to the number of ships, and so forth?—Yes.

2777. Then would you require similar evidence in order to pass that charge to show that the service has been performed?—As in the case of the former subsidy of 70,000*l.* a year, I should require evidence that the ships were on the station in accordance with the agreement.

2778. What evidence of that was given you?—A quarterly statement by the Admiral on the station.

2779. That certain ships were in those seas?—Yes.

2780. (*Sir Andrew Scoble.*) I just want to ask you one or two questions with reference to the answers you gave to Mr. Ryder just now, with respect to these two paragraphs, 15 and 22. Do you consider yourself entitled to question the propriety of the amount of the annual subsidy to the Admiralty for those Indian Government Defence vessels, or do you consider yourself only entitled to require sufficient vouchers that that money has been earned?—I should consider myself entitled to report that the amount has been paid under a certain agreement which has been entered into between the Secretary of State in Council and the Admiralty, amounting to so much. With that I leave the matter in the hands of Parliament and of the Secretary of State.

2781. Then your objection under paragraph 15 is simply that you have not got sufficient vouchers to satisfy you that that money has been earned. Is not that so?—That is so.

2782. Well then, in the same manner, with regard to paragraph 22, you would not feel entitled to question the capitation rate of 7*l.* 10*s.* 0*d.* per man, would you?—No. I described the item in my report, you will observe, "Capitation rate of 7*l.* 10*s.* 0*d.* on each man borne on the establishment."

2783. Then, here again you only want to ascertain whether that capitation grant has been earned, and you have not been satisfied with the vouchers tendered you that it has been earned?—Quite so, as to the numbers of men.

2783*a.* With regard to these two items, you do not go into the policy of the contract between the India Office and another Department. You simply object that you have not had sufficient vouchers to satisfy you that in these two items they were earned under those two contracts?—Yes, that is so; but, in describing the items, the nature of the transactions was also brought to the notice of Parliament.

2784. And that is the limit of your duty, is it not?—That really depends upon the interpretation of the Act.

2785. Well, do you consider that the limit of your duty or do you consider you ought to go further?—I should consider it the limit of my duty to report it to the Houses of Parliament, and leave them to raise any question upon it.

2786. But do you consider yourself entitled to go behind these contracts, and to question whether or not they are reasonable?—As a matter of fact we have not examined them.

2787. I do not want to have matters of fact, I want to know what your conception of your duty is?—If I thought the amount was excessive, I think it would be possible to raise the question.

2788. If you thought the India Office was paying too large a price for the service, would you consider it your duty to raise that question in your report?—If it were such that it might be considered as a contribution to the Admiralty or to the War Office, as the case may be; in that sense I might report it.

2789. That is, if you thought the India Office had made a bad bargain with any other Department, you would consider it part of your duty to call attention to that in your report?—It would really depend. It is difficult to give a direct yes or no to that.

2790. But I thought you rather intimated to Mr. Ryder that you would consider it your duty; and I wanted to know whether, on reflection, you did really hold that view?—Certainly, I should be guided by circumstances.

2791. Well, would the circumstance that you considered it a bad bargain lead you to report it?—May I give you another illustration?

2792. No, I would rather you would answer the question?—Well, I will say yes, if I may illustrate it.

2793 (*Chairman.*) You give your answer to Sir Andrew Scoble upon the authority of this sentence in the clause, I suppose, that you are to "report from time to time to the Secretary of State in Council his approval or disapproval of such accounts, with such remarks and observations in relation thereto as he may think fit"?—Just so. I should not consider myself entitled to enter into questions of policy or administration as such; but only if, in my judgment, they clearly involved an appropriation of Indian revenues otherwise than for the purposes of the Act.

2794. You consider that as leaving you a considerable discretion in making your remarks?—Quite so.

2795. Or otherwise, if you had to define the duties of an Auditor, may I ask whether you would go beyond this, that the duties of an Auditor are to see that the payments are properly vouched and are properly authorised?—Yes.

2795A. Would you go so far in defining the duties of an Auditor, as to say that it was his business to enter upon the consideration as to whether expenditure is judicious or not?—No, I should not.

2796. (*Sir William Wedderburn.*) With regard to telegrams, I see that there is an item in the Home account, page 5, of 6,784l. 6s. 3d. for telegrams to India. Have you any knowledge as to where those telegrams have been sent, or to whom they have been sent. They are classed under the head of Telegrams to India?—The claim would be in a kind of tabulated form from such and such a place to such and such a place, or giving names possibly to whom the telegrams may be sent.

2797. I understand you have no means of knowing whether those telegrams are strictly on account of the purposes of the Government of India?—No, they are certified by the Private Secretary that they are so, and we accept his certificate.

2798. But is not that rather deputing your judgment to somebody else?—I think not, we are obliged to accept the certificates of responsible officers.

2799. I think this Act of Parliament seems to give you a power of insisting on any form of voucher or evidence that you think is right in order to make up your mind?—Well, if we went behind every certificate we should want double the staff, we should have to do the work over again, the work which has been examined by responsible officers, and certified to be correct.

2800. As I understand, whether or not this 6,784l. 6s. 3d. has been properly expended depends upon the certificate. You have not satisfied yourself in regard to that, but you depend upon the certificate of some other officer?—We had a claim by the company—the Indó-European or Eastern Telegraph Company, as the case may be—for the particular telegrams given in a certain claim in detail, which detail is certified to be correct by the officer responsible.

2801. (*Sir Donald Stewart.*) Certified monthly bills for telegrams giving details of the words are submitted?—Yes, but what we do not see is the copies of the telegrams.

2802. (*Sir William Wedderburn.*) There is no means of knowing whether or not they have really been sent "for the purposes of the Act"?—No, I cannot answer for that.

The witness withdrew.

Adjourned till Friday, at 11 a.m.

Confidential.

INDIAN FINANCE COMMISSION.

At the India Office, S.W.

SIXTH DAY.

Friday, 15th November 1895.

| PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING.)

SIR WILLIAM WEDDERBURN, Bart., M.P.

SIR JAMES FELLE, K.C.S.I.

SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.

SIR RALPH KNOX, K.C.B.

MR. G. L. BYDER, C.B.

MR. T. R. BUCHANAN, M.P.

MR. W. S. CAINE.

MR. DADABHAI NAOROJI.

MR. COLIN G. CAMPBELL, *Secretary.*

MR. STEPHEN JACOB recalled and further examined.

2803. (*Chairman.*) I think there were one or two points on which you thought the evidence you had given, wanted supplementing in some respects; they refer, I think, to the Questions 432A, 446, and 165?—Yes, I think so, and 176.

2804. Or, rather, I think it is Questions 176, 165, and 102?—Yes, those are they.

2805. Perhaps you will state the supplemental evidence which you wish to give, will you?—In Question 176 I was asked whether the establishment of Reserve Treasuries was a matter which had been fully considered, and was the result of what might be called a matured policy. In connexion with this, the Commission might like to have their attention drawn to the despatch of the Government of India of 1874, which recommended the adoption of this policy. I have the despatch here. They submitted it in connexion with a Bill for the Regulation of the Presidency Banks; the Presidency Banks Act was to be amended, and—

2806. That despatch has been published?—Yes, it has been published as an Appendix to the Financial Statement for the year 1889-90.

2807. (*Sir Andrew Scoble.*) Is it one of the papers we have before us?—No, it has not been printed for the Commission.

2808. (*Chairman.*) But it is available to us?—Yes.

2809. Perhaps you will continue?—The Government of India said: "We have been much impressed with the consideration that the effect of the existing agreements with the banks, which compels us to place all the cash balances belonging to Government in their hands, leads to consequences which may be very inconvenient, if not worse, both to Government and to trade. The only use of these balances to Government is, that they may be made available the moment the public service requires them. We have had no difficulty in regard to the balances in the hands of the Banks of Bengal and Madras: the Bank of Bombay, however protested against meeting drafts upon it, and on the urgent representations of the Governor of Bombay, we were obliged, on the 29th January, to allow a month's time before drawing. The Bank of Bombay, accustomed to high government balances and relying on the maintenance of those balances, had so employed them that they were practically locked up; for, had we insisted on withdrawing them more suddenly, we should have done so in the face of a warning that we should produce a commercial crisis, and therefore, for a time

“ the Government balances at Bombay were useless for the purposes of the Government.” They go on to say that they doubt whether there is any real advantage to trade from the large Government balances; and then from paragraph 9, again, they say:—“ Had the Government funds in the hands of the banks in January last been limited to a fair working balance, and had we had a reserve in our own hands, we think it may be assumed that the market rise in the rates of discount which has occurred would not have taken place, and our business would have been transacted without disturbing trade operations. The resources of a large money market are not open to us, and we do not think it would be safe to trust to being able to raise funds readily and immediately in India. The amount (350,000l.) that we wanted in January out of our balance of about a million with the Bank of Bombay, and the demand for which brought down the remonstrance that we should place in jeopardy the trade of Bombay, cannot be considered as large. Calcutta may have larger resources, but we cannot suppose that even here the supplies immediately available are really considerable. We are of opinion that a Government subject to the contingencies to which the Government of India is exposed ought not to be without a reserve, and that this reserve should be in its own hands. This object might be attained by dissolving our connexion with the banks and re-establishing our treasuries. We are unwilling to take this course unless forced to do so; the banks are useful institutions, and the Bank of Bengal especially has upon several occasions been of great assistance to the Government. We should prefer, as an alternative plan, to make a change in the agreements with the banks, so that, instead of giving them the right to hold all the Government balances, the stipulation may be confined to engaging to pay them interest when our balances are reduced below certain amounts. If it be necessary to go further than this, we might stipulate that the banks should have the use of our balances up to certain limits, after which we should be unfettered as to their employment.” Then they conclude, in paragraph 14: “ The amount to be kept in reserve need not, in our opinion, be very large, as the main difficulty is one only of time. The sense of security which we should derive from the possession of a reserve of two millions immediately available for any emergency would, in our judgment, amply repay the charge for interest on that amount.”

2810. Therefore the position was that the Government, having a balance of 1,000,000 at the Treasury in Bombay were practically interdicted from the use of it?—Yes, that was the case.

2811. The draft proposed to be made was only 350,000 out of 1,000,000?—Yes.

2812. And the Government was reduced to the position of being expected to keep a certain amount of money idle in the Bank of Bombay in order to be a convenience to trade?—Or to give them very considerable notice of any withdrawal.

2813. Do they now pay you interest on the balance?—No; we allow a certain minimum balance always to remain in the various banks; the amount varies with each bank.

2814. Do you happen to know what it was in the Bank of Bombay?—I think it is 20 lakhs in the Bank of Bombay, and I know it is 30 lakhs in the Bank of Bengal.

2815. What is that in tens of rupees?—300,000 Rx.

2816. What you may call a balance of 300,000l.?—Yes, very roughly.

2817. Was that measure carried out?—Yes.

2818. And what is the bargain now, do you happen to know?—That is the bargain now, that we keep with them a certain minimum.

2819. And in the case of the Bank of Bombay?—If our balance falls below that minimum we pay them interest on the difference between the minimum and the actual balance.

2820. But is it well understood that you may draw up to that minimum at any time?—Yes, we may draw up to that minimum without any charge at all, or notice.

2821. The Government are still, of course, liable, even in that case, to remonstrance, namely, that by drawing to the minimum permitted they may create a panic?—Yes, there was some such remonstrance in 1888, when I was in Bombay as Accountant-General.

The question of the assistance to be rendered to trade through the Government balances was, I may add, discussed in the financial statement of 1889-90 by Sir David Barbour.

2822. Would you tell me again the date of that despatch that you have been reading from?—That Despatch is No. 256, dated 30th June 1874.

2823. Did Sir David Barbour make any remarks, to which you would like to call attention, in his financial statement upon it?—He stated then that questions had been raised as to whether Government ought not to lend a larger amount of its balances to the commercial public, and as to whether it keeps too high a cash balance, and he refers to these questions in detail in the financial statement of 1889-90.

2824. Does he point to any conclusion of his own?—Yes. He says, in concluding his remarks on that point: "It has been urged that Government could relieve the market by lending out the balance of the Reserve Treasuries on favourable terms to the banks; but, if this course were followed, the same difficulties that arose when the Presidency Banks held the whole of the surplus balances would again occur. Trade would become accustomed to rely on the resources furnished by the Government, and at a time of pressure the withholding of the assistance usually given by Government might have a very serious effect." That appears to have been his conclusion.

2825. Therefore, you may say that his conclusion was against leaving balances at the bank, except under a very strict understanding as to the right of the Government to use them?—Yes. I may explain in connexion with this point that we do, in fact, sometimes lend money to the Presidency Banks at interest. There was also a memorandum written by the Hon. Mr. Westland, now Sir James Westland, with reference to the amount of our balances.

2826. I think the Commission would like to be referred to that?—It is rather lengthy, but the purport of it is that 8 crores was at that time—this memorandum was written on the 20th November 1888—absolute by the theoretical minimum upon which we could work.

2827. That is distributed through all the Treasuries?—Distributed through all the Treasuries; and that practically we could not go much below 10 crores as a minimum; that is to say, that if we were reduced to 8 crores, a considerable movement of funds backwards and forwards would be involved, which would result in very great inconvenience and expense. The arguments that he put forward for having such a balance, were that the amount was distributed over so many Treasuries—he says 200 treasuries and 800 sub-treasuries, but as a matter of fact the number of treasuries is 266, so that there are over 1,000 treasuries, over which the balance has to be distributed.

2828-9. Do you know how much of that 8 crores would represent the normal balance in the three banks you have mentioned—Bengal, Bombay, and Madras?—The ordinary balances would be about from 150 lakhs to 200 lakhs, that is, from 1,500,000 to 2,000,000 Rs., in the head offices of the three Presidency Banks, that is not including the balances held by their branches.

2830. And if you include the balances in their branches, would that make a very great difference?—Well, the branches sometimes hold very considerable amounts. Another of his reasons is that the revenue is to a large extent received in the sub-treasuries, and sometimes for a month or so after it has come in, it is really hardly available for expenditure; it takes some time to collect it at the Central Treasuries where our special liabilities occur.

2831. You mentioned just now, as a reason, I think, given by Sir James Westland, for keeping a large balance, the expenditure that would be incurred in moving coin from one district Treasury to another if a sufficient balance was not maintained at each Treasury. We gather from Sir David Barbour that there are throughout India considerable means of providing cash at the district Treasuries, inasmuch as there are large number of native bankers to whom the Government Treasury could sell Bills?—Yes, the sale of Bills on our Treasuries has developed very much in the last 10 years. In 1893-94 the amount that we received as payment on Bills exceeded the whole cost of the transfer of funds from one district treasury to another. We realised during that year Rs. 32,106 as premium on Bills, and the whole cost of removing money from district to district was Rs. 22,805.

2832. Therefore, so far from the charge of moving specie being a charge on the taxpayer, the movement of funds is a source of profit?—At present it is. Ten years ago, in 1883-84, the premium amounted to only Rs. 15,000, and the remittance charges were about the same as at present. Then here was a net charge for remittance.

2833. That seems a very large premium. As a rule can the bills sold at a district treasury by the officer at the treasury be sold at a premium?—Generally; we do sometimes grant a transfer without any charge.

2834. But, as a rule, it is an easy method for the native bankers to transfer their funds, as well as to Government?—Yes, we charge a very low rate of premium; as a rule, four annas for a hundred rupees is the outside. Very often we only charge one anna for a hundred rupees.

2835. Then in what cases have you actually to send money?—Simply in the cases of outlying treasuries where there is no commercial demand. Our opium treasuries also have to be kept in funds by remittances of actual cash; they are large spending treasuries, and issue a great deal more money than they receive in the shape of revenue.

2836. Do you happen to know what the sum total of cash actually sent amounts to?—No. I could not say off-hand.

2837. I suppose you could calculate it roughly. If the premium that you charge on bills is an average one, you could give somewhat near the amount?—I could calculate the amount that we remit by bills pretty closely, but not the actual amount that we remit in cash.

2838. (*Sir William Wedderburn.*) The Hoodee system is very well known in India, and has been in practical working for very long periods, so that it is very familiar to the people, I think?—Yes, and the practice of remitting by means of drafts on our Treasuries is becoming much more familiar. I have drawn up a statement exhibiting the progress for the last ten years, and it shows that during the last three years we have made a profit on the premium; that is to say, that the premium has exceeded the expense of the actual remittance of cash.

2839. (*Chairman.*) The greater use of the system both by district treasuries and by the native bankers has resulted in an economy to the Government, I take it?—Yes. The European Banks also make large use of the system.

2840. Then, I think, you wish to call attention to Question 165 on the subject of the movement of funds?—That has been now done by the questions that have just been put.

2841. The two questions run into each other?—Yes.

2842. Then you mentioned Question 102?—Yes. In that question Sir Henry Waterfield was asked as to the connexion of the Comptroller-General with the Financial Member, and stated in reply that the Financial Member constantly takes the advice of the Comptroller-General. I was allowed to see Sir David Barbour's evidence, and I thought that the statement might, perhaps, seem at variance with Sir David Barbour's replies to Questions 2141 to 2144, in which he stated that the Comptroller-General communicated with the Finance Member only through the Financial Secretary. I thought I might, perhaps, be allowed to explain that the advice given by the Comptroller-General to the Financial Member directly is unofficial or verbal. All official communication between the Government of India and the Comptroller-General is carried on through the Financial Secretary.

2843. Quite so, and I will only ask you upon that, have you often these verbal communications with the Financial Member of Council?—I have had them very frequently with Sir James Westland, the present Financial Member.

2843A. It comes to this: the Comptroller-General is a high financial officer, whose office is, at all events, neighbouring to the Treasury. He is therefore constantly available, and if the Financial Member has information to obtain he naturally goes to the officer who can most readily give it him?—Yes.

2844. The Comptroller-General has first of all a complete knowledge of the accounts; he is the first person who receives information from the district treasuries; therefore I suppose it must constantly be a matter of convenience for the Financial Member of Council to see him and ask him questions?—Yes, he does constantly send for him.

2844a. What is the next point on which you desire to supplement your evidence?—With reference to Questions 432a and 446, I was asked about the monthly accounts and statements submitted to the Government of India by the Comptroller-General for the information of the Financial Member. One important statement was not mentioned, namely, the Resource Estimate, which is compiled at the close of each month (about the 23rd) and estimates for the current month and the next two months the probable financial results, as far as can be gathered from the latest facts then available. This estimate not only enables the Comptroller-General and the Government of India to forecast the general financial position at the end of each month, about two months beforehand, but also furnishes the Comptroller-General with the means for deciding whether each province, as a whole, is properly supplied with funds or requires assistance.

2845. It is an estimate to guide the Comptroller-General in supplying funds, based upon the latest information within his reach?—Yes.

2846. Is there anything else?—Yes. In Question 510 and in some other questions the point of the inquiries made was whether a monthly report of irregularities was submitted by the Audit Office to any superior office and to the Government of India. The answers given indicated that no such monthly report is submitted; and it was explained that the reason for this is that the auditing officers have powers of disallowance, and that the necessary action for recovery, &c. is taken by them at once. The Commission may, however, consider it relevant to this point to learn that annual reports are submitted, showing in detail any long outstanding objections, and explaining why such objections have not been removed. The Comptroller-General reviews these, and submits them to the Government of India, who are thus kept informed of the fact that audit objections are promptly disposed of.

2847. (*Mr. Buchanan.*) Is that in your annual report?—Not in the Appropriation Report, in a separate report.

2848. Is that a published report?—It is not published, no.

2849. (*Chairman.*) Could you show us one of those reports?—I have not got one here. I could get one from India.

2850. Without much trouble?—Yes.

2851. I think, perhaps, it would be well if you could get us a sample of them, and I daresay Sir Henry Waterfield would give it us in when we meet again?—Yes.

2852. (*Sir Ralph Knox.*) Does that apply to objections raised by the different accountants-general?—Yes.

2853. They report to you certain objections that they have made, and that have not been cleared up?—Yes, beyond a certain period—within a certain period.

2854. (*Chairman.*) The question we have put to you, Mr. Jacob, only touches this point—that no report is made of irregularities which have been, as I should call it, condoned by subordinate audit officers?—No, no report of them is made.

2855. Because, of course, there may have been important irregularities which have been amended, or there may be questions in which the subordinate officer has used a discretion in condoning which might be open to exception; and, as I gather the Comptroller-General does not have any opportunity of forming an opinion upon such action of his subordinate audit officers?—No report is made of objections which have been removed, but the subordinate audit officer is not allowed any discretion. He cannot condone. He may admit that the rules have been observed on further explanation, but if it is admitted that the rules have not been observed (except in very petty cases—as I think Sir David Barbour explained—amounts of 2 or 3 rupees) he is bound to require a report to be made to the authority whose sanction is needed.

2856. My point is, that where there is a power of disallowance, the subordinate audit officer may wrongly interpret the regulations under which he acts, and he

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may consider that the rule covers what is in reality an irregularity. It struck me that the superior audit officer ought to have some opportunity, if possible, of learning how his subordinate officers exercise that discretion of interpretation?—There is no such opportunity in the civil department.

2857. It may be difficult to devise a means of obtaining such information for the Comptroller-General, but still I think that the Comptroller-General should, if possible, have some idea of how his subordinate officers interpret the rules?—He does get an idea, through the cases which come up.

2858. (*Sir James Peile*) And through the test audit also?—Yes.

2859. (*Chairman*.) And is a test audit used for that purpose. Would the Comptroller and Auditor-General's officer, who conducts the test audit, report to him if he thought the subordinate audit officer put a lax interpretation upon the regulations?—If he thought the interpretation was wrong, he certainly would report it, or even if it were doubtful.

2860. Then, practically, the answer would be that in order to know how these subordinate officers do their work, you trust to your test examination?—Yes, practically.

2861. (*Sir Ralph Knox*) Do the military accountants report to you in a similar way?—No, they do not report to me. I think they report to the military Accountant-General.

2862. (*Chairman*.) Is that all?—I would just wish to mention that I have written to India for samples of the test audit reports. I mentioned in my evidence that I had not got them here, but I have written for copies of them, and they will be submitted to the Commission at some suitable opportunity.

2863. Could you get also, at the same time, a few copies of your Appropriation Report. Mr. Buchanan mentions to me that they are rather scarce?—Yes.

2864. (*Mr. Buchanan*) I was told so at the last meeting?—The last one for 1893-4?

2865. Yes?—Yes. I have also written and asked Mr. Cox, who is acting for me, whether he can, without any great difficulty, obtain any statement of the cost of the treasuries as to which I was questioned. We have not been able to make out any estimate in this country. The details are not available, but I have asked him to make them out, if he can do so.

2866. May I ask just a general question, I do not know whether you can answer it or not. Have you looked at the reports presented by the Comptroller and Auditor-General of England on the accounts?—I have.

2867. Would you say, as your conclusion therefrom, that the system you have in India adequately reports to the Government of India similar cases of irregularity?—I think it results in the irregularities being reported, not in the same shape or form, but they come up one by one.

2868. You do not think that there are many that escape notice?—I should say not, from the experience of my test audit. We have had this test audit system in force now for 13 or 14 years, and very few cases of irregularity, comparatively, have been discovered in them.

2869. (*Chairman*) You apply your test audit also to military accounts, do you not?—Yes, to military and public works accounts.

The witness withdrew.

Sir AUCELAND COLVIN called in and examined.

2870. (*Chairman.*) You held the position of Finance Member of Council in India, did you not?—Yes.

2871. During what years?—From October 1883 to August 1887.

2872. That was under Lord Ripon and Lord Dufferin?—Yes.

2873. Would you tell us what other positions you held in India?—Do you wish only the principal positions.

2874. Perhaps you would tell us when your employment in India began, and generally speaking, what posts you held; of course the higher posts are the most important?—I was in India from the beginning of the year 1858 to the end of 1892, with an interval of about five years, during which I was absent in Egypt. During that term I held the posts of Settlement Officer for many years, Secretary to the Board of Revenue in the North-West Provinces, Magistrate and Collector, Secretary to the North-West Government, and Financial Member of the Viceroy's Council.

2875. And after that?—After that, Lieutenant-Governor of the North-West, and Chief Commissioner of Oudh.

2876. Therefore in the earlier times of your service in India, you had considerable administrative experience of the manner in which the revenue was collected?—Yes.

2877. Would you have experience of revenue questions in most of those appointments you held, or would you not have had the same cognizance of them in the later and higher appointments, until you became Financial Member of Council?—In revenue questions I should have been mostly cognisant as Settlement Officer and Collector, and as Secretary to the Board of Revenue.

2878. Where were you Secretary to the Board of Revenue?—In the North-West Provinces.

2878a. And the Board of Revenue there superintended the collection of what revenues?—The land revenue, excise, stamps, local rates, provincial rates.

2879. In fact those revenues which, we have learned, were handed over under Lord Mayo's and his successors' decentralization schemes, more completely than previously to the provincial Governments?—*Inter alia*, those revenues. The land revenue is not handed over to the provincial Government; the land revenue goes mainly to the Imperial Government.

2880. It is levied on behalf of the Imperial Government, but it is collected by the provincial Governments?—Collected by them, yes.

2881. I think you have had the opportunity of looking through the evidence both of Sir Henry Waterfield and Mr. Jacob in the first instance, and then of Sir David Barbour?—Yes.

2881a. I think it would be most convenient if in the main in the questions I put to you, I follow the line adopted with Sir David Barbour. We are anxious to get your view as Financial Member of Council, upon the same points and the same kind of information that we have obtained from Sir David. And, first of all, I should like to ask your view as to the position of the Financial Member of Council. Do you consider from your knowledge of the position of the Finance Minister in India, that, generally, the powers of the Financial Member of Council correspond to those of the Chancellor of the Exchequer in England?—I have no personal acquaintance with the functions of the Chancellor of the Exchequer, but from what I have gathered from the evidence given before you by Sir Henry Waterfield, Mr. Jacob, and Sir David Barbour, and the explanations that your Lordship offered, I should imagine that, theoretically, they correspond very closely.

2882. One distinctive power of the Chancellor of the Exchequer in England is the control which is put into the hands of the Treasury—of course you will understand that the Chancellor of the Exchequer is the virtual and active head of the Treasury—and that control is summed up in the statement that his assent, the assent of the Treasury, is required to every measure of the Government increasing or tending

to increase public expenditure directly or indirectly. The power is almost as wide as you can describe it, and it extends to every measure except in so far as any powers of independent action may have been delegated to a department. His assent is necessary to the addition of every clerk to an establishment, and, when it comes to such small questions as that, you will see that it covers every kind of increase of expenditure. Would you say that your power as Financial Member of Council was equivalent to that?—You speak of sanctioning expenditure.

2883. Sanctioning expenditure?—Yes; I should say it was.

2884. And had you security that every such measure was really brought to your notice?—Every fresh measure?

2885. Yes?—Yes; so far as it was necessary that my sanction should be given to it. It was not necessary, for instance, that every item of provincial expenditure should be sanctioned. That would not be brought to my notice so long as it was within the power of the Provincial Government.

2886. In such cases the central Government had delegated a certain discretion to Provincial Governments, and therefore the Provincial Government was the judge?—Yes.

2887. In fact the Provincial Governments, after a manner, contracted to conduct certain services, and, so long as they did not exceed the sums allotted to them for those services, they had a considerable discretion within that sum?—Yes.

2888. But we had better deal with that point when we come to provincial expenditure. I may ask you, however, whether a very considerable power was not reserved to the central or Imperial Government even in provincial expenditure? The Provincial Government could not increase salaries except by very small sums?—Yes.

2889. They could not incur new expenditure except within very narrow limits, so far, at least, as the rules went?—No.

2890. Then, I suppose, in those cases where they wanted to go beyond those limits they would come to the Central Government?—Yes; there was a fixed limit, I think, of 250 rupees increase of salary, and 50,000 rupees for public works projects. Anything exceeding 50,000 rupees would have to go to the Imperial Government.

2891. What was the security of the Financial Member that his assent would really be asked to such measures? With regard to increasing expenditure, the Comptroller and Auditor-General in England reports to Parliament, to the House of Commons, every case in which an increase in expenditure has been incurred, which has not received the assent of the Treasury. Therefore, since the passing of the Exchequer and Audit Act, in 1866, a great defect in financial administration has been removed, and now the Chancellor of the Exchequer has perfect assurance, or as perfect assurance as any regulations can supply, that no department has transgressed that rule. Has the Finance Minister in India any similar guarantee that the general rule of the service is observed in every case?—He has a system of audit of which the Accountants-General and Comptroller-General are the principal officers, whose duty it is to check all items of expenditure shortly after they have been incurred, and to bring to the notice of the officers concerned expenditure which has been incurred without due sanction.

2892. And you consider that that was a complete guarantee to you that the regulations of the service in that respect were being observed?—I think so; from the experience of that check during all the years of my service both as an executive officer and as Financial Member, I should say, in both capacities, it was quite sufficient.

2893. And then, so far as the power of control is exercised in detail in the manner described, you would consider the control of the two Treasuries over expenditure—I am comparing the English and the Indian Treasuries—to be equal?—As far as I can compare a system with which I am familiar with a system with which I am not familiar, I should imagine from the description which your Lordship has given of the English system that the control was probably equal. I may mention here a point which I do not see brought out in the evidence hitherto given. Among other means of checking expenditure which has been irregularly incurred, and a means which is possessed by every

successive stage of official in the Government, is the practice of recording proceedings which are submitted by each department to the department above it. For instance, the Government of India sees the proceedings of each provincial Government in all its branches, those proceedings embracing the correspondence of that Government in each branch. The correspondence on any important subject is recorded at length; in less important subjects merely a summary is given, but the attention of the Government would be at once drawn, and is drawn, in that way to an expenditure which would appear *prima facie* to require explanation.

2894. Do I understand that these reports are in the nature of summaries of the action of a sub-department, which are handed on to the superior department?—That is so. Collectors' proceedings, for instance, would go before the Board of Revenue; Board of Revenue proceedings would go before the Provincial Government; Provincial Government proceedings would go before the Imperial Government; and I think all the Provincial Governments and Government of India's proceedings come here to the Secretary of State.

2895. Would the Finance Department be seized of these summaries of administration of the other departments? For instance, would you, as Financial Member of Council, have the reports of the Home Department before you?—No, as Financial Member of Council I should not be seized of a matter submitted in the proceedings of the Home Department, unless the Home Member thought it had a financial bearing, which ought to be brought to my notice.

2896. So far I have been asking about the power of the Financial Member of Council over the expenditure of other departments; but of course there is another side to the question, namely, the check upon the Financial Member himself. Here the check upon the Chancellor of the Exchequer is, first of all, in the case of a difference of opinion between himself and a colleague, a reference to the Prime Minister. In more important cases there is a reference to the Cabinet; and, lastly, there is Parliament behind the Cabinet. Of course that involves the knowledge on the part of the Minister and of the Cabinet that probably a vote will be wanted, in which case the immediate and active criticism of Parliament will take place; and therefore there is a considerable check in what I may call anticipation of the action of Parliament. Now, when we come to India, I think I have gathered from the evidence already given to us that over the Finance Minister is, first of all, the Viceroy personally, that is to say, that the communication between the Viceroy and the heads of departments is really tantamount to that check which here exists in a reference to the Prime Minister from the Chancellor of the Exchequer. Then comes the Viceroy in Council, which I presume would correspond generally to the Cabinet here. Then comes the Secretary of State, and finally Parliament, but any anticipation of the action of Parliament is very weak in the case of India, as compared with what it is here. Would that describe generally the checks upon the Finance Minister?—I think so. I should say also that the anticipation of the action of Parliament would be stronger in the case of the officials who are nearest to the immediate sphere of Parliamentary action.

2897. That is to say, more powerful on the Secretary of State than on the Viceroy?—And on the Viceroy than on a member of his Council.

2898. But still it is true that though Parliament may, and often does, take up an Indian question, there is no necessity that it should do so. The action of the Indian Government will not, it may fairly be anticipated, in most cases call for the attention of Parliament, whereas here the knowledge that a vote has to be submitted to the House of Commons makes the criticism of Parliament inevitable. There is a very different result in these two cases, is there not?—Yes.

2899. May I ask you the general question, whether you would wish to strengthen the powers of the Finance Minister?—I should wish it, so far as it were possible.

2900. Is there any direction in which you think they might be strengthened?—Yes, I think they might be strengthened advantageously in so far as concerns the steps which precede sanction to expenditure; the deliberations, I would say, which precede such sanction.

2901. And that leads me to the important question of those deliberations which must precede the mere

administrative action of the department. By the administrative action of the department, I mean the first absolutely official record of a measure leading to increase of expenditure which necessarily follows the adoption of a policy; and that policy must have been the subject of previous deliberations. Do you consider that the Finance Minister has an assurance that when those deliberations take place, he will have ample opportunity of making known to the Viceroy and to the Council what the probable effect on the finance of the year will be, and how far the finance of the year will be able to stand the strain of any extra expenditure?—So far as when a policy is formed, its final results can be definitely foreseen, he has an opportunity. But a policy is very often like a child, it grows; you cannot tell what its features will be in a state of further development; or, if you can, it may not be more especially within the Financial Members opportunities to see. In that case, I think that he has not always got the means of forecasting the expenditure, and that he is not always in so good a position as some of his colleagues to make an estimate of what the ultimate financial aspect may prove to be.

2902. That is to say, he has not the detailed knowledge that enables him to forecast the effect of an administrative measure?—Yes. He does not see behind the mind of those who are more immediately concerned with the birth and growth of that policy.

2903. That is a defect that must attend every financial system, must it not? The Finance Minister simply charged with the conduct of the financial administration cannot have that detailed knowledge of the effects of measures which his colleague at the head of that department has?—Yes.

2904. Let me take an instance from this country. The Minister for Education is constantly revising the code, and in his reforms he may propose measures which have a contingent result in increasing expenditure. It is difficult to say how it will act, under what circumstances the power of earning an extra grant, will be exercised; and in such cases as that, the Finance Minister is in a worse position than the minister at the head of the Department, in forecasting what the effect of a measure may be. I think that is a defect that is inseparable from financial administration. No Finance Minister can have universal knowledge. Does your criticism of the Indian system go beyond that, or do you think that the Indian Finance Minister is in a peculiar way worse off than Finance Ministers in other countries?—I am not aware whether in a case of that kind in England the Chancellor of the Exchequer would have ample opportunities of discussing the educational policy before it was finally adopted, and whether he would be aware of all the considerations which prompted it, and, generally, of the developments which it was likely to take.

2905. The Chancellor of the Exchequer is a member of the Committee of Council on Education. He is always summoned to the deliberations of that Council; and by that means it is supposed that he gets the internal knowledge of what is being proposed; but I think it has often been found, both by himself, and by his officers, that that information is not sufficient; he is not really posted up. That will, however, do as a sample of what I mean by the inherent defect in finance administration, that the Chancellor of the Exchequer or the Finance Minister cannot have universal knowledge?—No. The illustration which your Lordship gives, I think would place the Chancellor of the Exchequer in England favourably with regard to the Finance Member of India. Presumably in such a case he would be in a better position to judge what financial effect would follow upon a scheme of Education, than a Finance Minister of India would be to judge of what would follow upon a foreign policy.

2906. Then there is another difference in India. Sir David Barbour put it to us that in India you are dealing not with a country, but with a continent?—In India, no doubt, the element of the unknown is larger than I should think it would be, even in public affairs in Europe.

2907. But upon the general point, do you think that there is any defect at present in the system under which the opportunity is given to the Indian Finance

Minister to impress upon his colleagues what the result of incurring extraordinary expenditure would be?—I did not quite catch the precise form in which you put that question.

2908. Would you say that there is any defect in the arrangements under which the Finance Minister in India has the opportunity of impressing upon the Viceroy, and upon his colleagues, the effect on finance of extraordinary expenditure. For instance, would you feel assured that in the adoption of any policy, the Viceroy and the Council would be fully informed that such and such measures would probably entail—that most grave consideration in India—increase of taxation?—I think, with the reservation I made just now, that the Financial Minister has ample opportunities of impressing on his colleagues his view of the probable bearing on finance of any policy that is put before them.

2909. Sir David Barbour made a criticism which I think all officers connected with financial departments must allow, as a criticism of general application, namely, that sufficient attention is not given by the departments of India to the financial question. They hardly appreciate the gravity of it, and do not forecast what the financial effect of the measures on which they are bent may be. That, of course, is a defect common to all governments. The heads of different departments very seldom take a general view of the effect of their administration. They are anxious to carry out measures which they think important, either to the empire or to the results of their administration, leaving it to the Finance Minister to find the ways and means, and without sufficiently considering the dangers, especially in a country like India, that imprudent expenditure may entail upon the government. That is Sir David Barbour's view. Should you agree with Sir David Barbour upon that point?—Yes.

2910. That, as a rule, the Finance Minister does not get sufficient support from his colleagues, owing to imperfect information on their part as to the results of the measures which they bring forward?—One of my late colleagues is present, and, therefore, I must speak with caution. When I say that the Financial Member does not get sufficient support, I would wish to be understood to say that he does not get that support which he thinks would be sufficient for him. I would not be understood to say that he does not receive the support which, in the opinion of others, is due to him.

2911. Quite so. The point of Sir David Barbour's criticism, I think, might be put thus that in a country like India, where deficits are more dangerous than they would be here, where new taxation is more difficult than it would be here, the Government, as a whole, does not give sufficient attention to what may be the financial results of measures which they adopt?—I agree entirely in that; and I would add to that, that in a country where the taxpayer is an alien, and is not able to make his voice directly heard, the need of giving close attention to economy in administration is greater than it would otherwise be.

2912. I suppose that the Military Department is a most important department in India, is it not; that is to say, that the greatest difficulty to Indian finance is that which results, or may result, from military expenditure?—That from the point of view of finance the military department is the most disturbing? Yes.

2913. Of course, I am not now entering upon any question of policy?—No, I quite understand.

2914. With regard merely to the question of the relation of the Finance Minister to the departments in the control of their expenditure, would you apply what you have been saying as fully to the expenditure of the Military Department as you would to other departments?—To the complete control of the sanction of expenditure?

2915. To the sanction, quite so?—No, because the control—the sanction of expenditure in the Military Department is carried out by the heads of that department. The Financial Member's control is exercised through his military colleague in council.

2916. But in the Military Department it is exactly the same, I suppose, as in the other departments? Increase of establishment cannot take place without his sanction?—No.

2917. Any increase of expenditure outside that which has already received direct sanction cannot be incurred without the knowledge of the Finance Minister?—No.

2918. And if there is any question affecting the safety of the Empire, that would be discussed first of all by the Viceroy with his military advisers, would you feel assured that you would be called in early enough in those deliberations to be able fully to impress upon the Viceroy and his Council what the effect of such military expenditure would be upon your finance?—Yes. I should be quite sure of that.

2919. Of course, one very disturbing element in Indian finance is the constant frontier troubles, small expeditions which with a nearly balanced budget may just have the effect of creating a deficit. In those cases would you know early enough to be able to warn the Viceroy?—Small expeditions like small bores, are indicative of some disturbance in general health; you would learn its necessity when the expedition was about to take place, but, very probably, you would not know while matters were growing up to the complication which formed the necessity for the expedition.

2920. I mention them because they form rather a peculiar danger to Indian finance, do they not? Expeditions like the Ashanti Expedition are rare in England; in India they are a constantly present danger, are they not? You have one every year?—There we should enter upon questions of policy. I should say not so much that they are inherent in the Indian system as that they have become more frequent of late in consequence of the adoption of a certain policy.

2921-2. But without entering upon that policy, and looking at facts, you have a constantly present disturbing element from which to a very great extent we here in England are free?—Since 1885, we have had it constantly present.

2923. I will not enter upon the question of policy, but you mention 1885. Of course it is a very important question, in inquiring whether the financial system is thoroughly satisfactory, to know whether the tendency of authorities is towards the maintaining and strengthening the financial element in Government, or whether it is rather towards weakening it. Now we have gathered, in the first place, from Sir David Barbour, that the economy of the Government very much depends upon the Viceroy personally. The Viceroy is very powerful, and if he is economical, the Government is economical; if he is liberal—I think Sir David Barbour used the word “liberal”—in his views, the Government is not so economical. Would you agree with that?—Yes. I do not think I should say that the Government, as a whole, necessarily followed the personal inclinations of the Viceroy—his personal view of policy; but the influence of the Viceroy makes itself necessarily very greatly felt in all questions that concern the administration of which he is the head.

2924. But, apart from that, with the development of the Empire, with the progress of finance, is the tendency of Government, do you think, to weaken or to strengthen the controlling power of the Finance Minister?—I think that since the events of 1885 and the establishment of the Russian power in Central Asia, the balance of influence between the Financial Member of Council and the other members of Council—more especially, I should say, the Military Members—chiefly the Military Members—has been radically disturbed by the very great preponderance given to military considerations in consequence of the apprehensions raised in the minds of British officials in India.

2925. Putting entirely outside the question of policy?—Absolutely outside the question of policy.

2926. Assuming that policy to be correct, the result is a weakening of the financial power?—Necessarily. May I, perhaps add, that any one whose experience of the post of Finance Minister dated before 1885, would, I think, scarcely be in a position to understand how great the disturbance has been in the balance in Finance, if I may say so.

2927. Have you ever considered whether there is any means by which the disturbance of that balance might be redressed, and greater power might be assured to the Finance Minister?—I have considered the matter very often. I cannot say that I have arrived at any conclusion that I should be willing to say before the Commissioners in any way likely to be useful.

2928. Well, the conclusion we must come to is that, in this case, the weakening of the Finance Minister must be the result of military policy? It may be, a perfectly necessary military policy, but that must be the result?—I think so.

2929. But outside the Military Department is not the tendency of modern times to make the demands for expenditure on almost every head of administration very much larger than they used to be? The consequence is that, I suppose, every Finance Minister has much greater difficulty in restraining his colleagues and keeping them within bounds on the ground that however excellent the measures proposed may be in themselves, will, if they are all persisted in, lead to a deficit, and be followed by a demand for increased taxation. I should say that is a permanent feature in modern government; but, in a country like India that is a peculiar danger, is it not, because of the difficulty of increasing taxation? Do you think, in that respect, that the control of the Finance Minister in India has been, as our experience is here, weakening?—The only other great department which is directly administered by the Council of the Governor-General of India, and represented in the Council, is the Public Works Department. In that department I should say that the same difficulty makes itself felt—the difficulty alluded to by your Lordship makes itself felt. But the internal administration of India, as a rule, is carried out by the Provincial Governments. They are only indirectly represented by the Home Member, who is not immediately charged with provincial administration, though he is charged with provincial interests; and the pressure, therefore, which is put upon the Financial Member only, in their case, recurs once in five years. I mean on the occasion of re-arranging with them the terms of their financial contract for the ensuing five years.

2930. Within that time they have more or less a free hand, and may commit themselves and the government generally to an expenditure which may hereafter be a source of danger to the general financial system?—No. I do not think they could commit themselves to any scheme of expenditure which would endanger the finances of the Government of India, because any such scheme would have been discussed with the Home Member. If it had a financial bearing, it would have come before the Financial Member, and the Financial Member of Council would have had ample opportunities of coming to an understanding with his Home colleague as to how far such a scheme was likely to be dangerous, and would be able, if thought necessary, to check it.

2931. Then I should rather take it that you have not felt in India so much as we have felt here demands like those of the Education Department here; the improvement of local administration, the improvement in the administration of justice, these are constantly growing charges with us; and I should have thought it probable that the same kind of demand would have arisen in India, contributing to that weakness of the Finance Department of which you have been speaking?—The country being administered by distinct governments, each of which has varying needs, and each of which is in a different stage of development, as a rule no one point is put before the Government of India calling for common improvement or expenditure in all the various governments, unless it happens to be a point which the Government of India takes up on its own initiative—such, for instance, as a scheme for the reform of the police administration, which was taken up a few years ago, and emanated from the Government of India. It is only in that case that there would be a general pressure all over the country. But then in such a case the Local Government would have to find all or most of the funds for the required improvement. If the Government of India insisted upon the improvement being carried out, and provincial funds did not in any case fully admit of it, the Government of India would probably aid.

2932. We have had a good deal of evidence on the power of dissent which the Finance Member of Council

has, and Sir Henry Waterfield placed before us a return of a number of instances in which such dissent had been recorded. Sir Henry did not, I think, give us the understanding that this was an exhaustive list, and Sir David Barbour pointed out one or two instances within his knowledge which had been omitted. Do you happen to have looked through the instances which Sir Henry Waterfield gave?—Yes, I saw them.

2933. Do you think it approaches to being an exhaustive list, or do any cases occur to you that are not mentioned there?—Well, I can only speak of my own cases, and I have not many besides the instances he mentioned. There were, I think, three or four other dissents. But I may say that in one or two cases they were not recorded as separate dissents, because the Council was divided by the Financial member, some of the members agreeing with him, some disagreeing with him, and the views of the contending sections were respectively stated in the body of the despatch itself. There are two cases of dissent—there is a colleague dissent from the majority of the members, or perhaps from one or more; where they may be equally divided or unequally, as the case may be, where some agree with him or some differ from him, in that case usually the despatch itself indicates the difference of opinion, and the grounds of it.

2934. But the dissentient members have always the power of putting their views in the shape of a formal dissent, have they not?—Always.

2935. Now, may I ask bearing in mind that tendency rather to the weakening than to the strengthening of the power of the Finance Minister, does the Finance Minister lean much on the Secretary of State, as likely to support him, if possible—that is to say, does he look upon the Secretary of State as rather an essential element in the Government of India, on whom, therefore, he would lean as far as possible?—He did in my time.

2936. The idea would be that the influence of the India Office would be rather in the economical than in the contrary direction?—In all regards, excepting possibly the question of the development of railways.

2937. That being the case, do you think that the Finance Minister has satisfactory and ample means of making known to the Secretary of State the reasons which make him apprehensive about the financial results of proposed measures?—I think he has.

2938. (Mr. Buckle.) What are they?—The record of dissent embodying his views completely in a manner which would be communicated in due course to the Secretary of State through the Viceroy in Council.

2939. That is a very formal kind of procedure, which he does not very often adopt, as I gather?—He has no other that I know of. He does not correspond with the Secretary of State otherwise than formally and officially.

2940. And you think that is adequate?—I think that where he had the support of the Viceroy it would be adequate; and that where he had not such support neither that nor anything else would be adequate.

2941. (Chairman.) Supposing that the Finance Minister does not think it necessary to put on record a formal dissent, but is satisfied with the fact of his difference of opinion being recorded in a despatch. In that case the despatch represents rather the views of the Government of India; and the Viceroy, if he is taking a contrary view to the Finance Minister, may not really appreciate the reasons which actuate the Finance Minister in his opposition. In that case, the Viceroy, or his officer who drafts the despatch, would not probably be a very complete interpreter of the views of the Finance Minister. Then, again, we all know that the Viceroy is in constant correspondence with the Secretary of State, and, that being the case, the Secretary of State gets all his unofficial information from the Viceroy; but if the Viceroy has leaned to one party—he must take one side or the other—if his decision is against the Finance Minister, then the Finance Minister would hardly feel assured, would he, that the man who had decided against him in the last interpretation of the reasons which actuated him in his opposition?—The paragraph embodying the Finance Minister's views in a despatch of that kind would probably be drafted by the Finance Minister himself, and therefore

he would have ample assurance that they expressed his views.

2942. Now take the source from which the Secretary of State gets all his unofficial confidential information?—With regard to that, of course it would be impossible for the Financial Member to have any cognizance, in any form, of the expression given to his views; but he would trust to the Viceroy, as a colleague, to give a fair and ample expression; and I have not the least doubt that he would be right in so trusting.

2943. But do you think it possible that the Finance Minister should have the right himself to communicate his views to the Secretary of State?—No, not unless such communication passed through the Viceroy's hands. I think there would be no objection to his communicating his views to the Secretary of State informally, provided that his letter went open through the Viceroy; certainly not otherwise.

2944. I think all officials, wherever they are employed, would fully agree with you that every communication of that kind passing to highest authority should pass through the hands of the intermediate superior authority?—Yes.

2945. But still, subject to that provision, it would be a guarantee, would it not, to the Finance Minister that his views were thoroughly and completely made known to the Secretary of State?—The Financial Member in that case would probably only repeat what he had already said in the paragraph or the dissent embodying his official views. There might possibly be some consideration that he might not wish to put on the official record that he would like to bring before the Secretary of State; that would be the only advantage, I think.

2946. If the Secretary of State—as I think was Sir David Barbour's view—is an economical element in the Government of India, would it not be desirable that the Finance Minister should be able to communicate to the Secretary of State his views from time to time on the state of Finance in India? Such information would be very valuable coming at first hand from the man responsible for finance, thereby enabling the Secretary of State to form a judgment as to the financial dangers which really attend the policy?—Well, when we speak of the Secretary of State, I think it is necessary to bear in mind that he is the Secretary of State in Council; he has Members of Council, whose advice, I believe, he is constrained to take and to follow in financial matters; and it is always open to the Financial Member of Council to communicate with one or other of the Secretary of State's Council his views privately, I think.

2947. Oh, he can?—Certainly he can.

2947a. I mean that is an understood method?—Oh, quite; and, I think, is regarded as unobjectionable, and as having many advantages.

2948. Of course the other plan has advantages?—In such case he would, of course, be aware that the member, to whom he was writing, might put his letter before the Secretary of State.

2949. That method has not quite the advantages of the method that we were first talking of, inasmuch as the Viceroy, in that case, is not aware of what is being written?—No; not directly aware. The Viceroy is aware that his members are in correspondence with members of the Secretary of State's Council on various subjects, but he does not see their letters.

2950. Would it not be better altogether that the communication should pass through the Viceroy?—I think to pass it through the Viceroy to the Secretary of State would involve the Viceroy in a great deal of trouble; he would probably consider it his duty to comment upon it. He might object to expressions in the letter, which might lead to friction, to avoidable friction, between him and the Member.

2951. Then there is the case in which the Viceroy and Finance Member of Council agree, and the Council overrules them; has not the Viceroy, in that case, a power of suspending the execution of the decision of the Council, until the Secretary of State has decided?—He had not in my time; he has now. It was proposed in my time. It was opposed very

much by the rest of the Council, and when I gave up the office it had not yet been passed. It was the first indication, I think, of the recognition by the Secretary of State in Council of the altered position of the Financial Member of Council after 1885. It was proposed in 1886, and it seemed to me to indicate a sense that the Financial Member's position required strengthening in a degree which it had not, up to that time, required.

2952-3. I think we learned from Sir David Barbour that the Viceroy has the power of overruling his Council if he thinks the safety of the Empire is involved; he quoted the Act of Parliament?—I believe so.

2954. I put one general question to Sir David Barbour, I do not know that you would like me to ask you, whether there are any other points on the subject of the control of the Finance Minister which you think defective, and which you think might be amended?—In his powers of control to sanction the expenditure?

2955. No; I mean his general powers?—His general powers?

2956. Yes?—No; I do not think so, given the present constitution of the Government of India.

2957. What I should gather from Sir David Barbour and yourself is, that the tendency of the Government of India at present is rather towards weakening the position of the Finance Minister than strengthening it; and nothing occurs to you by which you think that the position of the Finance Minister might be strengthened?—I think the tendency is to weaken it for the reason that I have given in answer to a former part of your Lordship's questions. I think, again, that with all its advantages, the decentralising scheme has weakened the Financial Member's power a good deal indirectly, by throwing the balance of the Viceroy's interest into a class of questions in which he has more direct concern, and over which he has now exclusive control, such as the public works, military, and foreign matters. The Provincial Governments, since the decentralisation scheme was introduced and elaborated, have taken the internal administration of India from off the shoulders of the Council and of the Viceroy as representing the Government, in a degree which before was never dreamed of. The result is that, I think, the internal affairs of India occupy less the attention of the Viceroy than the external, which are costly. I am not speaking of the rightness of it, or the wrongness of it; but the external, which are costly—the public works, as well as military—engage his time, and engage his interest in a greater degree.

2958. I quite understand your meaning to be that, without prejudicing the question, whether these measures are wise or not, the tendency of them is to be costly?—Yes; I am not speaking of their rightness or wrongness. With regard to the second part of your Lordship's question, as to whether I have anything to suggest as to strengthening the Finance Minister, I think that no one individual's suggestions would be in anyway adequate to meet a position of that sort. It would require a very careful and thorough examination of the circumstances, the conditions, under which the Government of India can be carried on, or presumably could be carried on.

2959. One great difficulty, of course, that you have in India is always a present danger, namely, the constant emergencies that occur, such as those of famine, which make it more desirable, than in a country like this, that the financial situation of the country should be kept essentially safe; I mean by that that there should be, as far as possible, a good surplus maintained against such emergencies. The general tendency of administration, unless it is very much checked, is to work expenditure up almost to the limit of the revenue. I think heads of departments, if they see that the revenue of the year is 90,000,000*l.* and the expenditure 88,000,000*l.*, look upon the intervening 2,000,000*l.* as fair to give away. Here there may not be much danger in doing so, but in India there may be considerable risk in doing so; would you take that view?—Yes; entirely.

2960. And I should take it as a weakness of the present system that the Finance Minister is the only check upon that tendency; he stands alone. The Finance Minister is the only person whose warning

can check the tendency of the departments to spend up to the hilt?—Yes. The Finance Member, I would say, more especially, in consultation with the Viceroy.

2961. In such cases, as a general rule, is it the tradition of the Viceroy to support the Finance Minister?—The Viceroy is the only member of Council, other than the Financial Member, who has a direct interest in economy, because he is the head of the administration in all its branches, and, therefore, within the limits of that interest, I think, generally, within my experience, that he feels the necessity and acts upon it, of supporting the Financial Member so far as he possibly can consistently with his own views.

2962. Passing now to the question of estimates, I think we have learned from Sir David Barbour that on the whole he was very well satisfied with the arrangements under which the estimates are prepared and brought forward for the consideration of the Finance Minister. Do you agree in that view, or do you think there are any amendments in the system which are necessary?—No, I think I quite agree in that view. I read what Sir David Barbour said.

2963. He said he had ample time for considering the estimates when they were brought forward?—I think so.

2963a. And, further than that, that he had also ample notice in those deliberations that precede the adoption of measures on which estimates are based; and ample opportunity of making his views known beforehand?—I think so.

2964. In fact, he knows as well as anybody—as well as any other head of a department—what the programme of expenditure is before the estimates are actually put into draft?—Yes, he does.

2965-6. Were you satisfied with the organisation of the Revenue Departments in India? I called Sir David's attention particularly to the position in England, where the Chancellor of the Exchequer has, as it were, a standing Council in the persons of the Chairman of the Board of Customs and the Chairman of the Board of Inland Revenue; the whole of the administration of the revenue is centred in London, and these two officers, who are expert officers, every day engaged in the details of revenue administration, intimately acquainted with the law, and not only with the law, but with the operation of the law, knowing where the law pinches, are always at hand, and always in constant communication with him. Nothing of that kind is provided in India, is there? You, as Finance Minister at headquarters, had no officers close by with whom you could communicate personally on these very important questions?—Well, I saw the replies to your question, and I am not quite sure that I should put my own reply in exactly the form in which it has been put by others. So far as departments are directly under him, as the Salt Post Office, and so on, he has all the means necessary of informing himself. The head of the department is always by him, and is his immediate adviser. With regard to other departments, such as the land revenue, for instance, or local rates, he has always by him a colleague in the Revenue and Agricultural Department, to whom, in that section of the work the several Provincial Governments are subordinate, and such colleague is, as a rule, conversant with all questions that are arising in them and capable of advising the financial member in many matters in which he would need aid. This colleague has the expert knowledge on all questions arising in those departments for discussion between himself and Provincial Governments; he has cognisance of them as having been directly referred to him, or as having learned them through the proceedings of these Provincial Governments, which is the record of their daily work. That is the first line of expert knowledge. Then if his colleague is unable to give him the information that he requires, or to advise him in the respect in which he wishes to be advised, he then would refer to the Provincial Government, or would ask his colleague to do it for him; that would probably be the way.

2967. That is, so far as the Salt and Land Revenue are concerned?—Some salt, Northern India salt, for instance, is directly under the Financial Department. So far as Land Revenue, Stamps, Customs, Local Rates, for example, are concerned.

2968-9. Is there any officer at headquarters responsible for Stamp Revenue, Excise, and Customs?—Other than the member in charge of the particular Department of the Government of India concerned, there is no officer at headquarters.

2970. And that officer would not be intimately acquainted with the Custom law, or the Excise law, or the Stamp law?—Well, Sir James Peile was the officer in charge of the Home and Revenue Agricultural Departments in my time. There would be revenue questions in that Department that would daily come before him. I should say he would be very well acquainted with most, if not all, of them.

2971. Then on the whole you would not quite agree with Sir David Barbour?—That was the lacuna, as it appeared to me in the evidence given before, that those who gave it had not taken sufficient stock of the existence of departments at headquarters represented in the Council by members whose business it is to focus all the information in the various sections of their departments, and all the questions arising in connexion with them.

2972. Now, let me put a case of this kind, supposing there is a question about spirit duties—I suppose a no less important question in India than here. In any question of a change in the law relating to the interests of the revenue it is a most important matter how far an increase of the tax might, we will say, be accompanied by danger of smuggling or illicit distillation. Knowledge of the details of excise administration is almost essential to an expert officer before he can give advice to a finance minister upon that subject. Were you satisfied when you were in India that you had at command an officer to whom you could refer easily and directly, on whose information you could rely, if you were considering a change, we will say, in the duties on spirits?—The Excise Department is directly under the Finance Department; it is not under the Revenue. Therefore, I should have no colleague by me who could advise me on that matter. It would be under my immediate observation and control. On a question arising, such as your Lordship describes, which I might feel myself incompetent to decide, I should have probably to seek further information from the Provincial Government which was in charge of it.

2973. Then, I suppose, to a certain extent the same would apply to Customs. You have no central Customs offices in Calcutta?—I should imagine not, but happily in my time the Customs were at a minimum.

2974. There probably is a difficulty that is inseparable from the immense area of India; but, as a Finance Minister, if you could have a choice of the two systems would you not prefer such a system as ours, in which you had absolutely at your command officers thoroughly competent in all the details of administration, who are actually themselves the responsible persons under you for carrying on the administration? There is an advantage in that as compared with the system in India, would not you say?—I should scarcely say that the difficulty was inseparable from the system of administration, because I think it would be competent for the Government of India to appoint an officer, like the Postmaster-General, for instance, to be Inspector-General of Customs, who would go about to the various provinces, and in whom could be concentrated the control, the ultimate control, of the department, but I think that the cost of such a measure would not be compensated by the advantage to be derived from it.

2975. I asked Sir David Barbour a question upon this point, which is borrowed from the analogy of the French Government. As I understand it, they have a staff of Inspectors-General of Finance who are specially chosen officers of the very highest class, who are, as it were, the eyes of the Finance Minister, by whom they are sent about the country to conduct personal investigations or collect personal information for him. Of course we learnt from Sir David that there is no such staff in India; but did you ever employ means analogous to that by getting certain persons in whom you had confidence to collect information for you, because you could not move about very freely?—I have had the pleasure of being associated with some of these gentlemen in Egypt. My colleague in the control was one of them, and the Secretary of the Control was another, and so I heard a good deal about it from them.

2976. You remember hearing of it in Egypt?—So much so that I thought of introducing the system when I returned to India. I discussed it with Sir David Barbour at the time; he was rather unfavourable to it; it involved expenditure.

2977. I was only speaking of the principle?—Well, I was going to say that the principle commended itself to me. I saw the advantage of it from what I heard of these gentlemen in Egypt. I think in principle it would very likely prove very useful as a means of collecting information, comparing experience, and perhaps of controlling and checking the increase of expenditure.

2978-9. A recent instance in India occurred to me, the imposition of the countervailing excise duty to the cotton duties. That was a question which wanted an enormous amount of expert and detailed information in the different places where cotton is manufactured. Here any measure of that kind would be the result of constant and long communications between the Chairman of the Board of Inland Revenue and the Chancellor of the Exchequer, such communications as personal interviews alone give scope for; and I should have thought that the Finance Minister, from the circumstances of India—probably circumstances perfectly inevitable—would be in very great difficulty in such a case if he had to get his information by correspondence or telegram in a disjointed fashion?—Well, occasions of that sort arise only from time to time. They postulate the introduction of an extraordinary element into the financial administration. The need which your Lordship has mentioned is felt no doubt by the Finance Minister; but to meet it he ordinarily delegates some special officer, in a case of that kind, to furnish him with all necessary information bearing upon the measure which is in hand. For instance, I may mention that when there was a question of the reduction of the cotton duties, Sir Theodore Hope, I forget what his post was at the time—I think he was Legislative Member of the Viceroy's Council—was employed to advise the Financial Member. And so in other cases the difficulty would be got over in fact by the special delegation of a select officer to furnish information on particular points on which the Financial Member wished to be advised. Such occasions arose comparatively rarely, and delegation will not give rise to much inconvenience or expenditure.

2980. (*Sir Ralph Knox.*) He would be experienced in the particular service?—He would be an officer specially selected as having had previous acquaintance with the branch in connexion with which information is required, and of a standing sufficient to guarantee the aid that he requires in connexion with the matter being furnished readily to him by those from whom he had to make inquiries.

2981. (*Chairman.*) May I take it, as the result of your experience, that if, as a Finance Minister, you were to devise a model system, you would like to have always at hand such officers as our Chairmen and the great Revenue Boards, supported, as they are, by the best technical officers who have been educated in the service, but that though you may prefer such a system as that, it is practically impossible in India, and Indian Finance Ministers do not find the absence of those officers close at hand to them an insuperable difficulty?—I think that as a counsel of perfection they would be glad to have them, because it would save them the trouble of making inquiries that at present they have to make at first hand. They do not find their absence an insuperable difficulty, and I think I should scarcely be justified in saying that they would find their presence a very considerable advantage. You see, until you have had the advantage of advice of that sort, one does not know how much one may lose by it, and, therefore, I am speaking of something which I myself have not had the opportunity of enjoying.

2982. There is another function of the Chancellor of the Exchequer here which is an important one, namely, that every subject has a right of appeal to him against the decisions of the Revenue authorities; and these appeals are constant. Further than that, the Revenue authorities themselves, no doubt knowing that the Chancellor of the Exchequer is their defender in Parliament, are nearly always anxious to obtain his guidance on difficult points, and thus the Chancellor of the Exchequer is a court of appeal between the

taxpayer and the Revenue authorities. It would be very difficult for him to discharge that duty if he had not these officers close at hand, from whom he could hear at first hand the reasons for the line they had adopted. I suppose that the principle of such right of appeal exists in India?—Oh, yes.

2983. And the Finance Minister, that is to say, the Government of India in the Finance Department, would be the ultimate authority to whom the appeal would lie?—It would depend on whether it was a department directly under the Finance, or under the Home or Revenue, and Agricultural Department. The department of the Government of India responsible would receive the appeal.

2984. But in that case, if those appeals come frequently from the taxpayer, is not the Financial Member somewhat in a difficulty in dealing with them if he has not the responsible officer at hand to explain and to give him the necessary information?—Well, the Provincial Government is the first court of appeal, and comparatively few appeals strain through it, or perhaps pass beyond it. Such as do, generally concern questions of the reading of the law, questions of principle, and so on, on which the Finance Minister either has precedents to guide him, or, if in doubt, would take the advice of the Legal Member of the Council. If any other officer directly responsible, such as your Lordship suggests, were in his place, I do not see that he could do otherwise. He would have to adopt the same system, and appeals are few from the Provincial Government to the Central Government.

2985. In fact, the appeal of the taxpayer lies to the Provincial Government?—Yes.

2986. And the majority of appeals are decided by the Provincial Government; and, therefore, if carried farther it resolves itself into an appeal from the Provincial Government to the Central Government?—Yes.

2987. I think we learned that the key of the financial procedure in India, or at all events, of the procedure of expenditure, is the system of district treasuries?—Yes.

2988. I do not think I need trouble you at much greater length upon that point, because we have had it fully explained. Of course, in a place like India the district treasury and the system of the strong box are inevitable? You could not use banks throughout India at the centres of expenditure?—No, they do not exist in sufficient numbers.

2989. And were you satisfied with your experience of the regulations under which those district treasuries are worked?—I think, considering the enormous area, and the different conditions under which the rules have to work, that they work extremely satisfactorily. I have seen occasions, both as Finance Member and as Lieutenant-Governor, now and again, of strong boxes being broken open, and the guard on the strong box perhaps being tampered with. But they were so rare, and the amount involved so small, that they never caused any anxiety.

2990. You agree with the evidence given by Sir Henry Waterfield and Mr. Jacob, that losses arising under this system are quite insignificant?—Quite; I quite agree.

2991. The treasurer gives security?—Yes, the treasurer gives rather heavy security.

2992. I suppose that in the majority of those 260 treasuries or more which we understand exist, the balances of money at any given time are very small?—There are times, when the land revenue, for instance, is collected, which is done at certain stated periods, and the tendency at those times is for a day or two for the balances to accumulate, but the Accountant General is always in correspondence with the Treasury officers as to the circulation of funds, and he does not allow them to remain an hour longer than is necessary.

2993. Were you satisfied when you were Financial Member of Council with the arrangements, under which the district treasuries report the state of their receipts, issues, and balances as a means of checking the progress of expenditure in India? Of course, you will see that my question refers to the mistakes of the Military Department at the time of the Afghan war, which, I think it was seen, might have been checked by

closer attention to the outflows from the treasuries. Certain changes were made after that time. Were you satisfied that those changes were effective, and that the Finance Minister has now at his disposal, within all reasonable limits, the means by which he can check the public expenditure?—They are useful, not as providing a check, but as drawing his attention to the state of things.

2994. I mean drawing his attention to the progress of expenditure?—And in ordinary times I think the Finance Member, his attention having been drawn by an examination of those figures, would find that his inquiries enable him to inform himself of what was going on, and to check any expenditure—or, at any rate, to prepare a check for the expenditure which was about to be put before him in more ample form. I found at the time of the Burmese war, and also in 1885, when we were preparing for a possible war with Russia, that the indication given of military expenditure by the returns was ample. But it was not easy, in a case of that sort, to obtain the further information very promptly, because money was being furnished to and spent by different departments, who could not, until a later date, make up the accounts so as to know which department was finally to be debited with every given charge.

2995. Quite so. But you would know, on the 9th, we will say, of January, that up to the 31st of December such and such had been the issues from the treasuries, and you would have seen whether that amount was very much in excess of what it had been in previous peaceful years or years when there had been no emergency: and your attention would thus be directed to that excess, and if the estimate of the Military Department did not prepare you for that excess you would be in a position most effectively to call them to account, and to say, "What is the reason of this"?—You would immediately do so, and that was done.

2996. Of course, the only means of checking is by the actual fact that so much cash has gone out?—Yes.

2997. Nothing can give you the power of knowing at that date for what special purposes cash was going out?—No.

2998. The check is merely that you have, within a very few days, the knowledge that so much money has been issued?—Exactly. It is a weathercock which gives an indication in which way the wind is blowing.

2998a. (*Sir Ralph Knox.*) But you would know that it was going for military purposes, would you not?—Not necessarily. For instance, during the Burmese war—the latter part of it—the military police were introduced, and charged as a civil charge. My attention having been drawn to heavy outgoings apparently on military account on various occasions, I was told that until the accounts were finally made out they would not be able to inform me how much of this out-going was for military expenditure and how much was on account of the police which was being levied and embodied. There would be other civil charges also which might issue in the first place from the military chest.

2998b (*Chairman.*) But would you know from the return, furnished to you on the 9th of the month, how much had been issued to the military authorities as apart from what had been issued to the civil?—Yes.

2999. And, so far, what Sir Ralph Knox states would be the case—that you would know that it had gone to the military authorities?—Furnished to the military authorities for military purposes.

3000. (*Sir Ralph Knox.*) It might be moved on to the police?—Yes, later on. *Prima facie*, I would know that it had gone to the military authorities. The communication that would then be made by the Military Department to the Finance Department would, at a later date, elucidate the precise object for which the money had been employed.

3001. How much later?—That would depend on the local officers very much, and on the course of events. I mean if events developed further—took a greater extension—you might get it later. I should expect in the course of three months to be informed, at the very outside; it would probably be earlier than that.

3002. (*Chairman.*) Had you not a more complete account up to the close of the preceding month; you get a first draft on the 9th, and I think you get a more complete one on the 26th?—On the 16th I think, and we have another one, if I remember right, at the end of the month.

3003. And by that time you would have as good a view of the expenditure as we have here?—Yes.

3004. Here we would only know the issues from the Exchequer?—Yes.

3005. And the issues from the Exchequer are only imprests to the different departments. The Chancellor of the Exchequer would know the issues from the Exchequer, and would also know what balances in cash were in the hands of the great departments. Between these he would be able to say what money had been actually spent, though he might not know the details.

(*Sir Ralph Knox*) But he would know as between the large departments.

3006-7. (*Chairman.*) Yes; he would not have the details of the expenditure; but he would see what had been the corresponding issues from the Exchequer in previous years. If he saw that the issues from the Exchequer, instead of being 8½ millions were 10 millions, he would then look and see what amount of cash remained in the branch, say, of the War Office. That would give him a very fair view of what the actual expenditure had been?—Yes; I do not think that would hold quite as much in India on account of the peculiarities of the country. For instance, in the Public Works Department, you may find at the end of half a year that the amount spent in any section of the department is very considerably less than the half year's budget would seem to justify.

3008. That applies to us here; I only gave you rough figures?—You would find contractors asking to be paid in the latter half.

3009. The real test is that you compare with previous years?—Yes.

3010. And if he saw that the issue is going on at a greater rate than previous years without any reason for it, then the Chancellor of the Exchequer would begin to ask reasons for it?—Quite so.

3011. (*Sir Ralph Knox.*) But it would be understood by you at headquarters that the money that was being drawn by the Military Department was being devoted in the case of Burma, to both military and police services?—Yes, in the first instance.

3012. In the first instance that would be known?—Yes, perfectly.

3013. And therefore there would be an explanation of some excess upon the purely military provision?—Yes, exactly.

3014. And you would expect that excess?—I should.

3015. (*Chairman*) I quite understand the necessity and the value of the district treasury system in India; in fact, in the larger part of the country it is indispensable. but do you think that where banks exist, the Government of India makes as much use of them as it might economically do?—Of the banks?

3016. Of banks?—I think so. The Government of India very properly declines to place its balances in the possession of any bank with which it is not completely satisfied. There are banks and banks. There are banks at present not used which it might possibly employ, but I think it is well advised not to.

3017. Practically the Government does use to a great extent the three Banks of Bengal, Madras, and Bombay, does it not?—Yes.

3018. And, I presume, other banks, what I may call private banks as distinguished from the Presidency Bank, very seldom have branches in places where the latter have not got a branch?—Precisely. I should doubt if in any case they had branches where one of the larger banks was not represented.

3019. Mr. Jacob has called our attention this morning, in further explanation of some evidence that he and Sir Henry Waterfield gave, to a correspondence that took place, I think, in 1874 with the Bank of

Bombay. I think he brought this matter forward in illustration of the difficulties in a country like India of employing the banks. The Government, had a balance of a million Rx.—I am only speaking roughly—in the bank at Bombay, and they proceeded to draw upon it to the extent of Rx. 350,000. This appears to have led to a warm remonstrance from the bank, and if I may judge from the correspondence, the idea seems to have been in the mind of the bank that the Government was bound to keep a balance there, not, like the ordinary customer of a bank does, for its own use but for the benefit of trade. The bank remonstrated against such a sum as Rx. 350,000 being drawn out of a balance of a million Rx., and intimated that, if it was persisted in, it would very likely cause a panic. Of course, if that is the case it is a very strong argument against the use of banks. Do you know the circumstances to which I refer?—I think I remember them; I have no personal experience of them at all, but I remember reading of the incident.

3020. Of course, the only object of the Government in keeping a large balance is, that its needs are large; and it ought to keep exactly the balance required to meet those needs; to keep an extra balance which might be necessary for trade would be going beyond the functions of a Government, would it not?—Unquestionably.

3021. Therefore, if those are the terms upon which the banks want to keep the Government balance, it is an argument in favour rather of the District Treasury system?—Yes; I do not think now any bank in India would put forward that claim, or expect to have it listened to if it did put it forward.

3022. In the first case, the question was, whether the bank at Bombay had not got itself into difficulties; they had doubtless made large advances, and the consequence was that they were in a difficulty themselves?—Yes.

3023. And were dependent upon the Government not using its balance?—It led to a change of system eventually.

3024. You use the Bank of Bengal, do you not, in India very much in the same way as we use the Bank of England here? It manages your debt for you, and keeps your balance—your central balance?—Yes.

3025. Does the Government go to the bank for temporary advances?—No. We are in possession of the balances rather than the bank—accumulated balances find themselves in the hands of the Government. The evidence given on that point by those who have been examined before me appears to me to give complete information.

3026. You agree with them that the system of large balances in India is indispensable?—Yes. One has to be very careful not to keep a balance in Government hands larger than is desirable—to work as near as possible to a minimum balance.

3027. As in contrast with our system? Our system is to work with low balances?—Yes.

3028. And to borrow?—Exactly.

3029. And I understand, from Sir David Barbour and now from yourself, that that system would not apply to India?—If we frequently borrowed we should disturb the money market in India, which is a much smaller market than we have here; and we should have down upon us all the merchants; competition by the Government would be a most serious matter for them.

3030. There is not that reserve to draw upon there?—No; there is not that reserve to draw upon.

3031. The account by which you, as Finance Minister inform yourself of the progress of finance, is I understand, that which comes in on the 9th of the month that tells you of the progress of finance, and we gathered from Sir David Barbour that that was the only account of importance by which you keep yourself informed?—That and the subsequent one.

3032. That is to say, you are content there with a monthly statement?—Yes.

3033. You will have seen, probably, from the evidence given, that I spoke to Sir David Barbour of the return on which the Chancellor of the Exchequer relies, which is a weekly one; we learn from Sir David Barbour that he is perfectly satisfied with a monthly one, and would not think a more frequent one, even if it were possible, necessary?—Yes.

3034 Here the weekly return is of very great importance to the Chancellor of the Exchequer. It is a return which is always in his hands; he is always referring to it. You would not see the necessity of having it so frequent, even if it could be possibly obtained, in India?—I think not.

3035. Of course, a weekly return enables the Chancellor of the Exchequer to watch finance more closely; and if he sees variations, those variations want explanation. Though the return taken by itself is apt to be misleading, by means of it, and with the aid of his revenue officers, he is able to understand precisely his position every week?—I fancy the system of finance here admits, or may require, a weekly check which, in our own case in India, would be neither useful nor almost practicable. It would entail a great deal of extra work upon all the various officers of account which, I think, would not be compensated for by the additional control which it would give to the Finance Member.

3036. We learn that you make your Budget statement before the close of the year?—Yes.

3037. That is done in order that the Budget may reach England by a certain time, is it not?—I understand that is the reason. It is only three or four days before the close of the financial year, as a rule.

3038. Here in England we have always thought it a most inconvenient thing to have the Budget before the close of the year, because it involves a certain amount of estimate, both of receipts and expenditure; but we gather that with you that inconvenience does not exist, inasmuch as you would still have to estimate, to a certain extent, your expenditure, even if the Budget was only produced a fortnight or three weeks after the close of the year?—Yes.

3039. Has the number of estimates with which you have to deal ever struck you as an inconvenience in the Indian system of account? For instance, you have, first of all, your Budget estimate, and then you have a revised estimate, which is the estimate in force at the time, we understand, when the Budget is prepared; but Sir David Barbour has told us that the revised estimate is always more unfavourable than the actual out-turn, and therefore, when the Finance Minister produces his Budget, he is obliged to give a needlessly unfavourable account of his income and expenditure. Would you agree with him on that point?—I think so; for "unfavourable" I should substitute the word "cautious."

3040. Precisely. But still the Finance Minister has been obliged to give to the public something less favourable than the out-turns shows was actually the case?—It concerns two months only of the year, and neither of them are months of great importance. The important months of land revenue collection begin with the new financial year almost about the time the Budget is appearing. The financial year begins, that is to say, on April 1st. The question of the time of publication of the Budget seems to me—as to when it is desirable—an executive question. Really, it is to be considered in connexion with climatic and other considerations, which must be allowed very great weight. For instance, the Viceroy, between the close of the cold weather and his going to take up his summer residence, generally takes advantage of the weather still admitting it to extend his personal acquaintance with the Peninsula, and travels largely during the month of April; it is desirable that he should be able to do that. Officials proceeding to England on leave generally do so about the end of March. It would be inconvenient that they should go about before the Budget was brought out or be prevented from going away. There are, therefore, a variety of considerations which counterbalance the question of the financial exigency merely.

3041. You know that it is a distinctive feature of the English Budget, that it is based upon what we call Exchequer receipts and issues?—Yes.

3042. Not upon the actual receipts that come into the hands of the revenue departments, or the actual expenditure of the spending departments; it consists of those sums which the revenue departments have paid into the Exchequer; on the other hand, it consists of the imprests which have been issued from the Exchequer to the different departments for the purpose of expenditure; the consequence is a considerable practical advantage, namely, that on the night of the

31st of March the Chancellor of the Exchequer has the complete account in his hands of the income and expenditure of the year, which he will have under any circumstances to not alter. That, of course, is not the same thing as the audited account; but all his Budget calculations are based upon this Exchequer account, and it is an advantage, especially with commercial people like ourselves, who like to know things quickly, and to have a quick closing of the accounts. And there is no very great practical inconvenience, because we find, as matter of experience, with the exception now and then of an extraordinary circumstance, like, say, a war, or something of that kind, that the audited expenditure does not differ from the Exchequer issues by more than, we will say on an average, a quarter of a million on 90,000,000*l.* to 100,000,000*l.* of expenditure. That, of course, for practical purposes is inconsiderable. To a certain extent the same result might be obtained in India, I suppose, if you were to take the issues from the Treasuries as the basis of your Budget account, and, in that case, by the 9th, you would know what your actual expenditure for the purposes of the account was?—Yes.

3043. It you could have the Budget after that time, would you see any advantage in such a system over your present system of revised estimate which you have again to revise as you get more perfect accounts?—Well, I have never been called upon to consider that, and I should not like to answer the question off-hand; I should have to look into it more closely.

3044. There is a certain inconvenience, is there not, in the public eye, in constant revisions of the financial statement?—Yes, I see that.

3045. It gives the public outside the idea that there is something imperfect in the system which involves constant revisions?—I should be inclined to say *primâ facie* that they are inseparable from the variety of administrations with which you have to deal, and the extent of the country concerned.

3046. I am only bringing out the difference between the two systems, to see how it strikes you. It is perfectly clear that, if it is a necessity of your administration to have your Budget in March, you must have, under any circumstances, a certain amount of estimate in it; and, if that is the case, such an approximation to our system, as I have suggested would not be very important, because in March you could not know the issues from the district treasuries up to the close of that month?—No.

3047. Take the provincial budgets. We have had a very strong expression of opinion from all the witnesses who appeared before us, as to the advantages which have accrued to the Indian system from the decentralization system introduced by Lord Mayo, and developed by his successors; do you agree with that?—Entirely, from the point of view of improvement of administration; I mean the facilities given for improvement in administration.

3048. And Sir David Barbour has, I think, expressed himself to the effect that, taking into consideration the great powers of control reserved to the Central Government, he would exercise those powers discreetly and with as much reserve as possible—that is to say, he would make decentralisation as complete as circumstances admit, do you agree with him on that point?—Quite, on the principle that where the responsibility lies great discretion should be allowed. Provincial Governments being responsible for the administration, they should be allowed great discretion in questions arising on financial charge to them.

3049. He seemed to be opposed to the periodical revisions of the arrangement between the Central Government and the Local Governments. Under those revisions, as we understand, the Central Government, in addition to taking its share of the increasing revenue, practically pockets a considerable amount of the increase upon the provincial share. Have, I made myself clear to you?—No; I am not quite sure that I follow your Lordship there.

3050. Well, we have had evidence put before us that the Provincial Governments and the Central Government take varying shares; just for my purpose, let us suppose that in certain duties each takes half?—Yes.

3051. At the end of the period an estimate is made of what the needs of the Provincial Government are, and it is found that there has been an increase in the receipts generally over and above the balance sheet, as made at the commencement of the last period of revision, of Rs. 600,000?—Yes.

3052. That sum, in the next revision, the Central Government takes to itself?—No; that sum would have come into the balances of the Provincial Government.

3053. But in the revision?—In the revision the Imperial Government would either arrange to maintain the proportion it had before, in which case that sum would go into the coffers of the Provincial Government during the next term of five years; or it would alter the proportion which it would propose to take, in which case some of it would be diverted into the Imperial coffers.

3054. I think I can make it clearer from Sir Henry Waterfield's evidence?—I think what your Lordship means may be this, that when it is found what the proceeds, say, of various sections of receipt have been during the last five years, they are taken as the probable receipts for the ensuing five years; and in the contract for that term division is made on the basis of such receipts, between the Imperial and Provincial Governments.

3055. It is Question 704, page 13 of the second day's evidence. I asked the Question "I gather from the memorandum that, on the principle laid down at the commencement of the new system, the Central Government has taken at each revision a large part of the net increase of the provincial revenue as estimated, or rather ascertained, at the time of revision. Then in 1887, setting aside Burma, the seven Provincial Governments showed a surplus of Rs. 686,300, and under the revised arrangement the Central Government was to take Rs. 655,200, leaving a bonus of Rs. 31,100 to the Panjab and North West Provinces?—(A.) The Government of India practically took the whole of the net increase, though for special reasons they had to forego a certain sum in one or two cases; it cannot be described as a bonus, it was a remission in consequence of the Local Governments having lost the revenue through the failure of an aqueduct and other causes. There were special circumstances in those two provinces. (Q.) In fact, the principle is that the Imperial Government take the whole of the increase?—(A.) Yes." Well, that is what I mean, and therefore under those revisions, I take it, any increase that there is at the end of the time which the Provincial Government cannot actually say that it wants for provincial expenditure, goes to the credit of the Central Government, and therefore the Central Government gets two benefits; it gets increased share of a growing revenue and, further than that, it gets any realised increase which has taken place beyond the expenditure during the past five years?—Let me endeavour to explain. In the first place, the Central Government would get its own share of the increase calculated on the basis of the last five years. Then, in making the contract, all the receipts are summed up on one side, and all the expenditure on the other side. They then find what amount must be given to the Local Government to make the receipts balance the expenditure, or what must be taken from it, as the case may be. Any surplus of receipts over expenditure, should such exist, is to its advantage.

3056. Any surplus?—Any surplus of estimated quinquennial receipts over expenditure; nothing that had been accumulated in the past.

3057. In this particular case it turned out that the increase of revenue had surpassed the increase of expenditure, as sanctioned by the Central Government, by Rs. 655,000, and the Central Government took that?—They would have to bear the loss in the other case.

3058. They might or might not?—They might or might not. But they have to balance the revenue and expenditure of the Provincial Government.

3059. Yes, they have. But if the Provincial Government was extravagant, that would be the fault of the Central Government, and they would have to bear the loss?—It would be a charge upon the receipts.

3060-61. And so far it is, the interest of the Central Government to keep the Provincial Governments within the limits of economical government, is it not, because, if it were to allow the Provincial Governments to increase their expenditure, it would eventually be the loser?—That was one of the principles underlying the introduction of the system.

3062. I ask the question, because it may be thought that the arrangement might encourage excessive local expenditure. But I think the Central Government has always got a personal interest in keeping the local expenditure within economical limits?—Yes.

3063. (*Sir James Peile.*) The Provincial Governments send up a budget every year, do they not?—Yes.

3064. Which is considered by the Central Government and comments passed upon it?—Very—I will not say superficially—but the Central Government does not look upon it as part of its own especial business; as long as the Provincial Governments keep within their allotment it does not consider it its business to scrutinise the Provincial Budget.

3065. (*Chairman.*) What is your view? Would you keep the periodical revisions, or do you agree with Sir David Barbour in preferring to do away with them?—Like every other Financial Member I saw the drawbacks attendant on them; and my own inclination, I think, would be—(I do not think they could be done away with)—to give them their far longer terms—to make them decennial, say, instead of quinquennial, and to give to the Provincial Governments a smaller share in the various branches of receipts made over to them—to give it a longer term of enjoyment, say, but less accumulations, in the first years at any rate, from the increased receipts.

3066. We had from Sir David Barbour some interesting information and interesting opinions upon the result of the decentralisation system. We had tables put before us which showed a very large increase in the amount of revenue that had been levied since this decentralisation system came into force. But Sir David Barbour, I think, warned us against any hasty generalisation that that increase was due to the improvements following the giving to the Provincial Governments an interest in the collection of the revenue. He thought that, in a case put before him, we should find there were other reasons at work. For instance, he pointed out, in the case of the Excise, which showed a very large increase, that though there had been no additional duties imposed by Act on spirits, yet that the Government had what I may call maximum rates, and that at the beginning of the time those maximum rates were not in force, but that during the years that had elapsed they had worked up to nearer the maximum. Well, that, of course, is equivalent to increase of taxation. Speaking generally, would you consider that one of the main expectations had been realised which was held out when the decentralization system was brought in by the then Financial Member of Council, namely, that the revenue which was very badly collected as long as the Provincial Government had not an interest in the amount collected, would be more closely, and—what shall I say?—conscientiously, collected when the Provincial Governments had an interest in the amounts collected?—Yes, I should. I should not attribute, especially in the particular instance your Lordship has referred to, that very large increase merely to improved administration. But I think the administration has improved in proportion as each administration has been interested in the results of its own action.

3067. Naturally speaking, the Provincial Governments having now a direct interest in the amount collected, would have a keen eye to smuggling and other devices for evading the payment of taxation?—Certainly. I should like to say with regard to the particular illustration your Lordship gave, if I might—a point not previously noticed in the evidence before the Commission—that the large increase in Excise is mainly due, in my opinion, to the uninterrupted course of favourable years of late in India—almost unprecedentedly uninterrupted. When there is a good season

the Excise revenue increases; marriages are more frequent, more largely attended, and there is a large increase of personal expenditure. Marriages are frequent sources of consumption of liquor; and I think, in view of the favourable years we have had since 1878, that the greater part of the increase in the Excise in particular may be put down to that.

3068. (*Sir Williams Wedderburn.*) Might not a part of the increase be also attributed to the fact, that our system has been introduced into Native States, under some pressure, bordering upon British dominion, which has made it more easy to enforce the excise laws?—You speak of the Bombay Presidency, perhaps.

3069. Especially, where the territories are much mixed up?—It is possible, but I have no personal experience of it which would enable me to express a useful opinion upon that point.

3070. (*Chairman.*) That would rather point to the good years, and the great power of consumption on the part of the consuming classes as the cause of the larger part of this increase?—Yes, we invariably find the excise rise and fall with a bad or a good season.

3071. The figures of the Excise are very striking during this period, from 1881 forward; they show an increase in 1893-4 of 90 per cent. of 1879-80, of 72 per cent. over 1880-81, and of 57 per cent. over 1881-2?—I do not say that that was the only cause; I say it is a cause, which was not sufficiently brought into prominence in the evidence given before this Commission hitherto.

3072. I think there is only one more point on which I should like to ask you a few questions; that is on the system of audit?—Yes.

3073. You will remember the discussion that took place somewhere about 1880-81, as to whether an independent auditor should be appointed in India, and I think various alterations were made at that time; do you remember those circumstances?—Yes, perfectly.

3074. I think, from the correspondence which has been put before us, one may come to this conclusion. The Indian Government did not object to the idea of an independent auditor as I will not say recommended, but submitted to them by the India Office; but they came to the conclusion, which the Secretary of State endorsed, that there was no such necessity for establishing a thoroughly independent auditor as would counter-balance the expense that would be caused thereby. At present the Comptroller and Auditor-General is to a great extent an executive officer, is he not?—Yes.

3075. You, as Finance Minister, would be not unfrequently in communication with him?—Constantly.

3076. Getting much information from him on various points?—Yes.

3077. I may put him as one of your financial advisers, may I not?—Yes, certainly, in all questions of movement of currency.

3078. And accounts, bearing on the budget?—And all account budget.

3079. He is the first officer who gets the accounts from the Treasuries on the 9th of the month?—Yes.

3080. Therefore it is rather difficult to speak of him as a thoroughly independent officer, is it not?—So far, certainly, "independent" is an ambiguous word; as an officer independent of the control of the executive, you could not speak of him as an officer independent of the control of the executive and the Government of India.

3081. So much importance was attached to the point of independence here, that the Comptroller and Auditor-General is hedged round by the same guarantees for independence that accompany the position of a judge?—Yes.

3082. He is only removable on address to the Houses of Parliament; he holds office during good behaviour?—Yes.

3083. And every precaution has been taken to secure that he will, without fear or favour, report any irregularity that takes place. Are you quite satisfied that the Comptroller and Auditor-General in India occupies an equally independent position, and that the position that he occupies is a guarantee that he will report, without fear or favour, any irregularities, whether committed by subordinate officers or by higher officers?—The irregularities are usually detected by subordinates of the Accountants-General. They in rarer cases

come to the Comptroller-General. I think all might be trusted to report them. In fact they would not report them; they would immediately check them—call on the officer concerned for an explanation; they certainly may be trusted to do that.

3084. Of course when one speaks of irregularities, one has to be very careful about one's definition. In any orderly system of finance a number of irregularities may occur, which have not the slightest connexion with any mishandling of moneys. For instance, a Minister may transgress the law—and it may be most important for orderly finance that such transgressions of the law should be reported as the best security that they should not be repeated. Is any officer who is not completely independent, quite in a fair position for reporting any non-observance of the law by his superiors?—Broadly speaking, I think, yes. I think that you can rely upon him. I should rely upon him, certainly, to do so.

3085. Would there not be a greater guarantee of that if the officer were completely independent?—That applies to almost every officer in India except the Viceroy. There is no official in India, except perhaps the Viceroy and the Commander-in-Chief, who is absolutely independent in the sense of the word in which your Lordship uses it. But I think, in spite of that, they could be and are very properly entrusted to perform every function that is expected of them in the discharge of their duties. I do not think I should doubt more of the independence of the Comptroller and Auditor-General than, say, of a member of Council, who might hope to be Lieutenant-Governor, for instance.

3086. But the Comptroller and Auditor-General is entrusted with power to check, which the Financial member is not?—The Financial Member has a very disagreeable power.

3087. That is an executive power?—He has the power of combatting the Viceroy and dissenting from him, and calling upon the Secretary of State to decide between them.

3088. The Financial Member of Council corresponds very much to our Chancellor of the Exchequer, one of the highest officers in the State?—He is not independent; not necessarily independent.

3089. The Comptroller and Auditor-General represents really, as nearly as we can make the analogy, one of our permanent officers?—Your Lordship is speaking of independence, I think.

3090. Yes, that is all?—I should say neither of them is independent, absolutely; the Comptroller-General is as independent as the Financial Member. I should say they are on the same footing.

3091. The way in which it strikes my mind is this: The office of Comptroller-General represents, as far as one can understand, the positions held by some of the officers at our Treasury?—Yes.

3092. Positions that I myself have held. I should have been very much astonished if it had been ever suggested that the duties of the Comptroller and Auditor-General should have been entrusted to me?—If it had been entrusted, would your Lordship have been astonished if you had faithfully discharged it? Would you expect him faithfully to discharge that duty?

3093. I think that is quite possible?—In India we are in the habit of looking upon him as entrusted with it.

3094. I should expect it to be quite possible and probable, that the officer would do his duty; but what I mean is, I do not think it is a fair position of responsibility to put him in?—I think in India we are all accustomed—I think I should be corroborated by members of my own service—it has become habitual that we should look on the Account Department as something outside the Executive, and the head of that Department as perhaps more outside than any of the rest. We accept him, and concede to him an authority which at first sight he might not seem perhaps constitutionally to possess. I think that point of view would be corroborated generally.

3095. As we understand the system in India the power of disallowance rests in the first instance, of course under the regulations, to subordinate officers?—Yes.

3096. They disallow, and they really can enforce disallowances subject only to this, that the officer against whom the disallowance is directed, can appeal. Do you think that a good system, that the auditor, especially a subordinate auditor, should have a direct power

of disallowance?—My experience is that in spite of occasional friction it works very well.

3097. Then there is one point upon which there appears to be a certain lack of information on the part of the Comptroller. He knows those cases in which an irregularity such as I have described has occurred, but which has not been condoned, but no reports reach him to show the cases in which the disallowances have been removed by his subordinate officers. Therefore he does not know how his subordinate officers have exercised their discretion. Of course, it may be quite possible for a subordinate officer to construe quite wrongly the regulations. We understand that the security in that case is a test audit which the Comptroller the Auditor-General exercises in every department in India, and he trusts to the result of that test audit to show him how his subordinates have been exercising their functions in the service. Do you think that sufficient?—I think the experience of those who have been immediately concerned in the business of audit has found it sufficient, and I have no reason to disagree with them. I should also imagine—I cannot speak positively on this point for I have never been in the Finance Department except at the head of it—I should imagine that the Accountant-General sends monthly analyses of his correspondence to the Comptroller-General as other departments do to their superiors in which would be entered all instances of that and other nature.

3098. I do not think he does?—You think not?

3099. It is a question whether he should not?—That I cannot say; I am not acquainted with the practical working of their office; it is the exception if they do not.

3100. Have you ever had the opportunity of looking at the reports made by our Comptroller and Auditor-General upon the Appropriation Accounts?—No, not the English. I should like to ask a question if I might with regard to that. I am not sure how far the Appropriation Reports in England follow on a system of audit such as we have in India, or whether they entirely supersede each audit?

3101. I did not quite catch your meaning?—I mean I am not sure whether the English system contemplates an audit like ours, supplemented by a final report by the Comptroller-General, or whether that takes the place of all other check?

3102. The system in England is that every Department examines its own accounts for its Chief, not for Parliament?—Examines its own accounts?

3103. And it is its own interest to have them thoroughly examined and get its accounts into complete order before it sends them to the Comptroller and Auditor-General?—Yes.

3104. The Comptroller and Auditor-General in most Departments institutes his own detailed audit, but in the case of the Army and Navy, which are very big Departments, he accepts the detailed examination of the Army and Navy officers, only instituting a test audit of certain branches every year which he takes at hazard. But the Comptroller and Auditor-General, being perfectly independent, addresses his report to Parliament. The Departments send their accounts to him, and he examines and signs them, but he accompanies the account of each Department with a report in which he calls attention—and his report consists of nothing else but that—to any irregularities which he has found and which he thinks sufficiently important to report?—Yes.

3105. But he, the chief officer, passes the smaller disallowances and picks out those which he reports to Parliament, the object being, of course, only to call the attention of Parliament to things which are really irregularities?—Yes.

3106. If you look through one of his reports, you will see that every year he reports a number of irregularities, hardly any of them of any great importance; but some of them are and some of them involve questions of principle; every one of those goes to Parliament. Now when I look at the Appropriation Report of your Comptroller and Auditor-General in India, instead of resembling that, it is rather a financial review

of the past year, which does not in the least correspond with my idea of an auditor's report. Have you turned your attention to it?—Oh yes, it has been my duty—you spoke of the Indian report—it has been my duty to read it while I held office.

3107. Would you agree with me that it takes rather the form of a financial review?—Yes. I do not think we attached any great practical importance to it, because the check followed almost immediately on the expenditure.

3108. May I ask, would you not think it a preferable form if the report followed the lines rather of our Comptroller and Auditor-General's, confining its remarks, not to explanations of revenue and expenditure, which the Finance Minister can give, but to pointing out those cases in which irregularities had been brought to view?—Does your Lordship mean making a *resumé* of the irregularities which have been detected by subordinate officers?

3109. Not the smaller ones?—Yes, I think that might with great advantage be embodied in it.

3110. Would you think it desirable or not that such a report, merely calling attention to irregularities, should undergo the review of any body at home, whether a committee of the India Office or a committee of review of some other kind?—It would be almost impossible to express an opinion, in answer to that question, until one had some experience of what form the report would take. You would require one or two years to see how to value a report of that kind; it would then be time enough to decide whether it should undergo further scrutiny.

3111. Allowance must be made for the difference between the two countries; but it would be an endeavour to bring the check upon the irregularities of expenditure into something of the same form as that in which the check exists here. The check here is that the Comptroller and Auditor-General reports to the House of Commons, and the House of Commons appoints its own committee to review the Report. The difficulty of the House of Commons in dealing with such a Report in the case of India would be that the witnesses could not be brought here; but a committee of the India Office, assisted by one or two independent persons, could go through the Auditor-General's Report and advise upon it, getting their information by correspondence upon those points which require explanation?—The object of such a report would be not so much the detection of irregularities, as to present a pillory, as it were, in which would figure those which had been detected by subordinates.

3112. Of course they are detected in the first instance by subordinates?—Yes.

3113. But any irregularities of principle, any act of the executive inconsistent with orderly finance would be reported and published, whoever had committed it, from the Viceroy downward, and it would have to be explained and explained publicly?—It would have, I should say, rather a political than a practical value. I think in the practical working of the administration it would probably be not of great importance as a check, but it might bring to light certainly any class of cases in which the administration was most inclined, if there is such a class, to disregard financial orders.

3114. Is that point one which you would consider deserving of the attention of the government?—I should consider the point deserving of further examination certainly.

3115. (*Mr. Buchanan.*) You told us in the earlier part of your evidence, that since 1885 when the change of policy took place, there was a change in the position of the Finance Minister, or at any rate a change in the weight attached to financial considerations in the government of India?—I did not say since the change of policy; I said that since the establishment of the Russian power in Central Asia, it has brought about a change in the Council of the Indian Government which has led to a great bouleversement of the relative powers of the financial and military members of Council.

3116. What I was going to ask was this—You were Finance Member of Council from 1883 to 1887?—Yes.

3117. And are we to understand from you that you found that during the latter part of your tenure of office financial considerations had less weight in shaping:

the policy of the Government of India than during the first period?—Very much so.

3118. And you think that that change, so far as you know, has continued since that date?—I think so.

3118a. Without expressing any opinion as to the rightness or wrongness of it?—As a matter of fact.

3119. Has any remedy been suggested for this weakening of the financial position of the Government of India?—A remedy was suggested in my time by the Secretary of State, which I believe was afterwards carried into effect. It was suggested that when the Viceroy and the Finance Member of Council agreed in opposition to a majority of the Council, the action of the Council should be suspended until the Secretary of State had decided; but it was opposed by all the other members of the Council, and when I left the matter was undetermined.

3120. But we understood from some of the previous witnesses that that rule had been laid down. Sir David Barbour, however, I think, told us that it had never been used?—Yes, I saw that reply.

3121. Has anything else been suggested by the Government of India to remedy this defect?—Not that I know of, from any responsible quarter.

3122. The defect, so far as your observation goes, still continues?—I have had no personal experience since 1887.

3123. Without asking you for any detailed scheme, could you give us any suggestions as to the direction in which financial interests might be strengthened in the Government of India?—I can give no scheme; that would involve far greater inquiry, and means of inquiry, than I at present possess. I think the direction in which you would have to look for it, would be the strengthening of the financial interests in the Council of the Secretary of State, and ultimately in trying to in some way, without undue interference with the authority of the Government of India, to establish a control emanating from what theoretically is at present the last court of control—Parliament.

3124. You would look for it then in two directions—in some form of alteration in the constitution of the Council of India here, and also in making by some method of another more direct, the control which Parliament has got by the statute of 1853 over the finances of India?—I cannot say what the form would be of alteration, or whether change in the constitution of the Secretary of State would be necessary or not; what I mean is, that the financial control of the Council should, if possible, be made, at any rate valid, very valid.

3125. You think that in the main the improved action of the Council in India would tend towards the interests of economy in the Government of India?—I think so.

3126. I think we had some statement on the subject from Sir David Barbour. Would you agree with him that, with regard to the Council of India, a good deal of its experience is somewhat remote, that it wants to have fresher experience of the more recent development of the conditions under which India is to be governed?—Well, I should not be prepared to lay that down so strongly and largely in a general form. There are members upon it whose knowledge of India is as recent or more recent than my own, for instance; and there are others who have been disconnected with it longer.

3127. Then, looking in another direction, do you think that financial interests ought to be either more largely or more strongly represented in the Council of India?—Well, I think financial interests ought always to be represented in the Council of India as military interests or other interests are.

3128. You will say then, I suppose, that, just as, in your opinion, financial interests in the government of India have been increasing in importance, whilst their weight has slowly decreased, so they ought to increase in power and weight in the home government of India as centred in the Council?—Yes, that the proportion of interest should be maintained in the matter of its representation in Council.

3129. And it is decidedly your opinion that, even more than in other states, financial interests are of paramount importance in the Government of India?—I am not quite sure that I caught what you mean.

3130. The Chairman, in some of the questions that he put to you, introduced a parallel between India and other European countries; but should I be right in saying that your opinion would be that owing to the comparatively small margin of possible new taxation, and the rapidly increasing expenditure of past years, financial interests are of even greater importance to the Government of India than to almost any other country?—I do not think the Chairman put that question to me. It was put to Sir David Barbour; but, in any case, I have no experience of Foreign governments.

3131. But, largely, we may take it as your opinion that financial questions are most important with regard to the Government of India at this moment?—I would not say they are the most important; I say that their importance is as great as any other class of questions which can be brought before that Government.

3132. I do not know whether you could give us any further details or suggestions with regard to the mode in which you would strengthen the control of Parliament over Indian finance?—No; I do not think I should be well advised in occupying the time of this Commission with any suggestions at present on that; I do not think they would be worth anything.

3133. Of course we are very anxious to have suggestions, particularly from persons like yourself and Sir David Barbour, who were recent occupants of the position of Finance Minister?—I do not think, except as the outcome of a complete inquiry by competent persons, that any answer of any value would be obtained on a subject of that sort.

3134. Would you like any interference on the part of Parliament, not indiscriminate, but upon large questions and according to certain definite fixed principles and rules?—One must remember that you would have to harmonise the exercise of the control of Parliament with the absolute necessity of maintaining the authority of the Government of India. Those would be the main points to bear in mind.

3135. There was a question I should like to ask you with regard to the decentralisation of the Government of India. You stated that one result of it was that the Viceroy's attention had been largely diverted owing to that from consideration of home affairs to the consideration of foreign and military affairs? Is there any remedy for that to be found in anything like a further decentralisation of Indian finance devolving more upon the local governments? I merely ask for information?—I think not. So far as the Army and Navy are concerned, it would be difficult to divest the Central Government of that. On the other hand, if you are to maintain the decentralisation system, it would be difficult to open a larger field of immediate occupation or personal administration to the Viceroy.

3136. You think the Government of India has gone just about as far as it can in the direction of decentralisation?—I am not prepared to say that it may not be able to complete and carry further some of the side channels of decentralisation, but, I think, they have gone nearly as far as they can go.

3137. Looking at it from the economical point of view, do you think that we have got as much economical result from it now as we are likely to get?—Approximately.

3138. It is not an available source from which to look for increased revenue?—The results of the future are not likely to be as much as they hitherto have been.

3139. It is not an available source from which we can look for any substantial financial results in the direction of economy in Indian finance in the future?—No, not at all comparable to those that have already been gained, because the field has been mostly covered, I think.

3140. (*Sir William Wedderburn.*) I should like to ask you a few questions regarding the machinery for the control of expenditure. I think the control that is now exercised, or supposed to be exercised, may be divided into two sections: there is the control which is exercised over the different departments by the executive itself, that is to say, the control up to the Secretary of State—that I should consider the first section: and the second section is control over the whole of the executive, including the Secretary of State, the second section of control being exercised on

behalf of the taxpayers. I think that we may make a division of that sort between the two classes of control, may we not?—Possibly.

3141. The Chairman has referred you to correspondence which referred to the office of Auditor-General and the House of Commons, and the analogy that might be established in India; and in accordance with that correspondence, it was made part of the duty of the Comptroller and Auditor-General in India to audit everything up to the sanction of the Secretary of State. I think that was the case, but that, I think, comes under the first section, because that is an audit only for higher executive officers up to the Secretary of State upon subordinate executive officers, and that audit, I think, only refers to matters of detail and administration, and not to any question of policy. I think I am right in saying that?—Yes.

3142. But, as regards any general control of expenditure touching large questions of policy, any control over the Secretary of State would have to be exercised by Parliament; there is no other authority that could exercise that control, I think? What I should like to inquire into is, what support the Financial Member of Council, as the Finance Minister of India, receives in trying to control the expenditure when he thinks it is getting too great. The financial member of Council appears to be a sort of watch-dog on behalf of the taxpayer; whether in England or in India, and he can either give warning, if he thinks that a dangerous financial policy is being initiated, or he can do his best to prevent the money being spent; when the question of the expenditure of money arises he can do both, I think?—Yes.

3143. I think you said that as regards giving warning, the difficulty arises from his not being acquainted always with the details of the policy which eventually leads to the necessary expenditure?—It may arise from that cause.

3144. The necessity may arise without being brought directly within his knowledge. And, as regards his power of preventing the expenditure, he has the power of dissenting either in Council or by a formal minute, but he has no confidence that that dissent will have a definite result in checking the expenditure?—No.

3145. That, I understand, to be the position. Then, as regards the different authorities from which he may possibly receive support, the Chairman, in likening his position to that of the Chancellor of the Exchequer, points out that he may have to deal with the Viceroy personally, in the same way that the Chancellor of the Exchequer has to deal with the Prime Minister personally, and economy or otherwise will depend a good deal upon the personal inclination of the Viceroy. You mentioned that the Viceroy takes personal charge of certain departments, the Foreign, the Military, and the Public Works Departments?—Not the Military.

3146. The Foreign and the Public Works Departments?—No, the Foreign alone.

3147. He takes charge?—He takes charge of that as a rule. It is matter of arrangement between the Viceroy and the members of his Council; the custom is, that the Foreign Department should rest with the Viceroy.

3148. But he generally takes a considerable personal interest in the Military and Public Works Departments, I think, does he not?—Yes.

3149. So far as those departments are concerned, those are departments that lead to very considerable expenditure—the Foreign Department, both political and military—and the Public Works Department?—The Foreign may, the Public Works usually does, and the Military always does.

3150. The fact that the Viceroy takes charge of the Foreign Department, which may lead to military expeditions, would put him a little in the position of representing a spending department, would it not?—Well, a spending department is, I understand, a department that must necessarily spend.

3151. Yes?—The Foreign Department is not necessarily that. By the adoption of a certain policy it may find itself involved in circumstances which might call for expenditure, but not necessarily.

3152. I was looking to the circumstances which rather detract from the Viceroy's position as taking a judicial view of any difference of opinion between the

Finance Minister and other members of Council and it appeared to me that the fact that the Viceroy becomes personally interested in questions of foreign policy which may lead to military expeditions, would rather deteriorate his judicial position as dealing with any question where the Finance Minister objected to expenditure?—The Viceroy is responsible in every department of the Government, and I do not know that his direct administration of the Foreign Department would cause him to exercise less impartial judgment in that than in any other. His responsibility, I mean, extends to all.

3153. I meant rather—I might give an example—supposing that the Viceroy had decided to have a military expedition beyond the frontier. If the Finance Minister objected to that, he would be objecting to the policy personally supported by the Viceroy himself; would not that make it more difficult for him to get the Viceroy to take a judicial view of the subject?—

3154. (*Sir Andrew Scoble.*) I should like to ask before you answer that question; does the Viceroy personally decide upon military expeditions beyond the frontier, because the question rather assumed that he did?—I did not understand Sir William Wedderburn to say so; I understood him to say “if a military expedition were decided upon.”

3155. Oh, no, “if the Viceroy decided upon an expedition.”

3155a. (*Sir William Wedderburn.*) Or recommends them?—My answer to that would be that the Finance Minister would have had opportunities of expressing his views in Council before the expedition was decided upon; and the Viceroy would hear what he had to say before he made up his own mind in all probability.

3156. Yes. Then in the Council of the Viceroy most of the other members of Council represent spending departments as against the Finance Member who has to provide the funds; is not that the case?—All in their various degrees.

3157. Therefore to a certain extent he is one against all the others?—I think so.

3158. You mentioned that he gets a certain support from the Secretary of State in Council in financial matters; he looks to get some support in financial economy?—Yes; he also looks to the Viceroy I think, too. I should say, speaking of my own experience, he looks to the Viceroy and is largely supported by the Viceroy.

3159. Yes, but if the Viceroy is against him he is rather helpless in the Council?—Yes. Of course, he cannot expect the Viceroy to support him when he differs from him in view.

3160. He would not expect to get the support of the Secretary of State where his recommendation was adverse to a policy approved of by the Secretary of State. Supposing the Secretary of State had—to give an example—sanctioned an expedition beyond the frontier. An appeal to the Secretary of State would not be of much value against the expenditure involved in that policy?—When the Secretary of State had sanctioned an expedition there would be no appeal to him against it.

3161. Any remonstrance or protest he would not hope to get much by?—No; if sanction had been given and acted on it would be probably too late. Perhaps I may bring out again more clearly the point of the answer I gave. He would have ample opportunity before the decision was arrived at, and when the mind of the person at the head of the Government was in a state, presumably, of suspense of putting all his views before him, while there was yet time.

3162. Well, I will take another instance; supposing it is a question of engaging upon large public works, if the policy of public works had been started by the Secretary of State, he would feel that he had not much hope in an appeal made by him against that expenditure?—If he could enlist the rest of the Council, if he thought such a policy would be likely to be injurious to the finances of India or beyond their power of meeting the charge, if he could enlist the rest of the Council with him, I think he might have hope that he could induce the Secretary of State to modify his opinion. If he found himself alone, of course he would have much less assurance upon that point.

3163. Is it not the case that a good deal of the general expenditure upon great public works in India has been initiated from home, more than at the request of the people in India?—Who do you mean by the people in India?

3164. Any local demand there?—Do you mean the authorities in India or the people of India?

3165. Either; I mean is it not rather initiated in this country than in India?—Than in India? That is a very broad question I should scarcely reply to. I think within my experience that there is a constant pressure upon the Government of India from the Secretary of State to expand the railway system of India as much as possible.

3166. Is there not a good deal of pressure; are you aware that a good deal of Parliamentary and other pressure is brought to bear upon the Secretary of State to spend money in this way?—That may be; but within my personal knowledge, of course, I could not answer that question.

3167. But upon the whole it appears that pressure is brought by the Secretary of State rather upon the Government of India to extend railways?—Pressure is, perhaps, scarcely the word to use. I should say that every encouragement is given to the Government of India to develop its railways for the purpose of the commerce and the security of India.

3168. Then we come to the second section that I referred to, namely, what means there are of controlling expenditure on behalf of the taxpayers, whether in Great Britain or in India. The Chairman has pointed out that a good deal of the check in this country is check by anticipation, the anticipation of parliamentary interference. Do you think that operates in India?—I think I replied to that question to the Chairman, that it operates in increasing degree as we get nearer to Parliament, as the authority concerned gets nearer to Parliament.

3169. But I suppose it would operate more usefully, if, instead of desultory interference, there was a well regulated and systematic control exercised: then the anticipation of that control would have a very good effect, I presume?—If the best possible arrangement could be made, that would presumably have the best possible effect.

3170. At present we have what is called the Indian Budget debate?—Yes.

3171. Do you think that much benefit is derived from that?—Benefit to the Government of India?

3172. Yes, and to India?—No.

3173. What are the drawbacks to that?—It is debated, as a rule, long after the period to which it refers is closed; it is debated at the end of the Session when everybody is very anxious to get away, I believe; and it is usually debated, I am told—I am speaking without any experience—from what I see in the papers, and from what I learn from others, in a very thin house, and among persons many or most of whom are neither competent nor careful to weigh the matter which they are discussing.

3174. If the Financial Statement could be considered by some well-organised committee in the House of Commons to report to the House of Commons, would that not be a step towards getting the debate on to a more business-like footing than it is at present?—I am so entirely unacquainted with the probable course of affairs in Parliament, that I could not give any answer to that; at least within my knowledge.

3175. What I would like to get at is how best the dissent of the responsible Finance Minister could be utilised, in order to bring proper inquiry upon anything that is going wrong in the finances of the Government of India. The Financial Member of Council, when he thinks that the finances are going wrong, has an opportunity of recording a dissent or of bringing it to notice. My object is to ascertain how that dissent or opinion may be best utilised for practical purposes, so that his view of the case may be properly looked into, and the ultimate authority of Parliament brought to bear so as to indicate a mature and good policy to be followed in financial matters. That is my object, and I would like to know whether it would not be advantageous that such an opinion of the Finance Minister should in some way be brought before the House of Commons?—I believe it can be; if any member of the House of Commons chooses to ask for it, it may be published, and I know in the case of my own dissent,

what Sir Courtney Ilbert and I recorded with regard to the increase of the army, it was published; it was called for in the House and published.

3176. But that depended upon private members?—
Yes.

3177. But I mean in order to inform the House or a committee of the House as a formal thing, of the important issues, would it not be advantageous that they should have before them any dissents or opinions or report by the Financial Member, and also any dissents that might have been recorded here in the Secretary of State's office on financial matters; would that not be very useful material for the House of Commons or a committee of the House of Commons to deal with, and should it not be regularly and formally placed before them?—It seems to me a question to which one cannot reply without knowing what the constitutional powers of such a body as you speak of would be.

3178. But you think it would be valuable if those issues could be satisfactorily brought before the House of Commons with a view to their dealing with the finances of India, which they have to do once a year upon the East India Accounts?—Yes. I think they already have the power. I rather think a dissent of a member of the Secretary of State's Council must be published. Am I wrong in that?

3179. (*Sir James Peile*.) No, not published; it is recorded?—Recorded.

3180. It may be called for by a member of Parliament?—I could not answer that question. Sir William Wedderburn's question touches upon the relative authority of the Government of India and of Parliament, and it would be impossible, I think, to say; you would have to consider very carefully the amount of caution to be exercised in order to prevent undue interference with the Government of India, and also the constitution of this proposed body, which has been mentioned, before a satisfactory answer could be given to a question of that kind.

3181. (*Sir William Wedderburn*.) Were you, as Financial Member of Council in India, made aware of any dissents or minutes of the Secretary of State in Council, recorded here?—No; nothing that passed in the Secretary of State's Council was ever communicated to me.

3182. So you would not be made aware supposing a certain number of members of Council had minuted in favour of your views?—I should not be made officially aware. I might learn it from private sources, but it certainly would not come to my official cognisance.

3183. Are you aware if there have been in the Council of the Secretary of State members specially trained in the Finance Department in India?—There usually are.

3184. Are there any at this moment?—No. Sir John Strachey was the other day, but he has resigned.

3185. Can you name any others that have been on the Council besides Sir John Strachey?—Sir William Muir. Both the Stracheys—General Strachey acted a short time in charge of the finances and Sir William Muir, those are the three that occur to me for the present.

3186. I daresay you have read debates in Parliament upon such questions as the import duties and the Chitral expedition. Did it appear to you that the members who spoke had sufficient information upon these subjects on which they spoke?—What members, the members of Parliament?

3187. The members of the House who spoke in the debate?—I do not think I read from that point of view. I should not have said they were insufficiently informed, so far as I could see, at all; they knew as much as I did, anyhow.

3188. With regard to a support to the Finance Minister in any proposals for economy, I think Sir David Barbour said he would be a good deal supported if there were an enlightened public opinion, an educated public opinion, upon financial questions in existence. Do you agree in that view of the case?—Yes.

3189. What is the line generally taken by the Press in India, the Anglo-Indian Press and the Indian Press upon questions of economy?

(*Sir Andrew Scoble*.) We surely do not want to go into that; as to the line taken by the Press in India.

(*Sir William Wedderburn.*) Public opinion.

(*Sir Andrew Scoble.*) We are not enquiring into public opinion.

(*Sir William Wedderburn.*) Sir David Barbour referred to public opinion. What we are dealing with is the support necessary to control the expenditure. I think that this is very material.

(*Chairman.*) An allusion had been made to public opinion. You were going to ask what evidence there was of public opinion.

3189a. (*Sir William Wedderburn.*) The Press is the way in which public opinion is shown in India. Can you say how public opinion is expressed in the Press? Does the Financial Member get support from public opinion in the Press in India, that is my question?—I think, speaking generally, that he does get it, both from the Anglo-Indian and from the Indian Press.

3190. Supposing the Finance Minister were of opinion that certain expenditure were illegal under Section 55 of the Government of India Act, on the ground that it was expenditure for military operations beyond the frontier without the consent of Parliament, what steps could he take to prevent that expenditure being made?—He would consult the legal member of Council, through the Viceroy probably; he would have the question referred to the Viceroy with a request that legal opinion might be got upon it, I should say.

3191. Can you tell me whether that point has been considered as to the legality of such expenditure?—I cannot say; not in my time; no question arose in my time to call for that.

3192. Section 55 of the Government of India Act refers to British India as it was transferred to Her Majesty at that time. Can you tell me whether any steps are taken to keep a record of the successive additions to those dominions of Her Majesty in India since 1858?—I do not quite follow the expression "to keep a record."

3193. Section 55 of the Act of 1858 puts a limit upon expenditure beyond the external frontiers of British India, of Her Majesty's dominions; but those frontiers have been extended from time to time since 1858?—Yes.

3194. Is there any formal or official record to show the extensions, and whether they have been legally and constitutionally effected?—The only case that I can recall is the case of Upper Burma, and I think there was an Order in Council in London, a proclamation of some sort, (I do not know what form it took, declaring that Upper Burma was annexed).

3195. But as regards these gradual enlargements of the frontier, of the western and north-western frontier, are you aware whether any formal proceedings are taken to include these new territories within the dominions of Her Majesty contemplated by the Act of 1858?—I am not aware that they have been included within Her Majesty's dominion. They have been included within a treaty protectorate, but not within British dominion, I think.

3196. Can you refer me to any authorised map which at present shows the existing dominions of Her Majesty—British India?—No, I cannot.

(*Mr. Naoroji.*) I want a little explanation from you, my Lord. I understand from our conversation last time that we are at present considering the system or method, or mechanism, rules and regulations and powers and control of auditor, accountant and Finance Minister, but the question of the character and efficiency of that expenditure with its economical and financial or other effects, and the persons or the motive power which carries out this whole mechanism has to be deferred?

(*Chairman.*) I think what we have said was that we would deal first of all with the mechanism of the administration. The question of the progress of expenditure forms a separate branch which could be more conveniently taken at the second series of sittings.

(*Mr. Naoroji.*) That would include the expenditure on the manning, and the whole personnel of the service and so on—the whole expenditure, in fact?

(*Chairman.*) When we come to the progress of the expenditure, if you are desirous of raising the question

as to whether we can go into grievances, the Commission will have to settle the points at the time. I do not think that grievances come within the purview of our inquiry. But at all events that would not form part of the machinery of administration as I understand it; now we want to get the mechanism.

3197. (*Mr. Naoroji.*) It is the mechanism we want to get at. Now, I will only put one question as regards the difficulty of finance and so on. Is it not a great weakness in finance that, as in this country, the people or taxpayers in some suitable way have no direct interest or voice in the finance?—Is it not a weakness in finance, do you say.

3198. Yes, if the people had any direct voice and direct interest in the settlement of the finance and the expenditure of everything, would it not be a great strength to the Finance Minister? while at present, having no such support of such interest from the people themselves, it is a great weakness in the finances?—It is difficult to answer the question in that form, quite. It might be a weakness or it might be a strength to him.

3199. Consent of the people is the great strength of the Chancellor of the Exchequer?—So far as he could obtain the opinions of the people, and use them in support of his views, it would be a source of strength to him.

3200. But it is not merely the opinion of the people expressed outside, but some direct voice, some representative of the taxpayer in the Council, who can actually give a voice as to any particular expenditure. At present the budget is entirely the result or the work of the Executive; the people have no voice in it at all, whether they should diminish that expenditure or increase that expenditure. Just as it is here, you get six months in discussing the budget and seeing what the expenditure ought to be?—That is a hypothetical case on which I find it difficult to express any direct opinion. In other countries it has been found to be of use I believe, and presumably, therefore, it would be so in the case of India.

3201. Of use, yes, that is all I wanted, that would be a very great strength to the Finance Minister, or the settlement of finance if some such voice was given to the people, direct voice, I mean to say, and direct interest. That is all. I do not want to ask any more.

3202. (*Mr. Ryder.*) May I ask you whether the result of decentralisation, of which we have heard a great deal, and which we have heard described as being economical, has been to diminish expenditure by the Provincial Governments or to increase it?—You mean since the Provincial Governments were decentralised, has their expenditure increased or decreased?

3203. Yes, what I am driving at is this: it seems to me that a great motive has been given to the Provincial Governments to increase their expenditure. Now that they collect so much revenue for themselves, they are of course very much more careful about the collection, but is it not true that they also have an immense motive that they had not before to increase their expenditure?—I should scarcely say that, before, their expenditure depended on how much they could obtain from the central funds of the Government of India.

3204. Yes?—And therefore it was the interest of every Government to obtain as much as it possibly could; it was in no way responsible for finance.

3205. Well, and now it is the interest of every Provincial Government to increase the collection of its own revenue?—Yes.

3206. And it knows that if at the quinquennial revision its revenue turns out to be more than it needs, the excess will be taken by the Central Government?—Yes.

3207. Therefore there is a great motive for bringing up the future expenditure to a level with the provincial income?—Yes, that unquestionably is the case. But whether one can say, that beyond that, they have a greater motive than they had before the introduction of the decentralisation in increasing their expenditure is another matter entirely. It is a comparison between things that are unlike.

3208. But, before, there was a closer control and watchfulness over them, was there not, by the Central

Government?—No. I saw some of the working of it before; the Provincial Government made it a point to get all it could out of the Central Government, because it knew that so far as it failed of success some other Government would be more successful.

3209. There was one question about the balances that I should like to ask you; I think we were told that, after inquiry, it was held that something like from eight to ten millions Rx. ought to be in hand constantly. That, you may say, would represent something like five millions, perhaps, of our money?—Rx. would be equivalent to £ sterling.

3210. Not now, I am sorry to say?—Rx. expresses an equivalent to sterling.

3211. It means tens of rupees?—It means tens of rupees.

3212. Well, I will not raise that point. I thought that it could not mean so much as eight or ten millions sterling. However, my point is this, we must not compare that balance with our own balances in the Banks of England and Ireland. I imagine if we want to compare them with balances here we must take into account all the balances in the hands of subordinate accountants, must we not, by which I mean all the balances in the hands of our army officers who pay money for our army?—Yes.

3213. And for our navy?—Yes.

3214. And when you come to do that I think the amount does not appear so very large. I wanted to make sure that this balance that is spoken of—we will call it eight millions Rx.—really means not only the balance in the head Treasury, but the balance in all the local treasuries all over the Indian Empire?—Yes, the reserve balance. Of course, there is an immense amount of floating balance besides that which is being constantly used up or added to; this is the balance which is kept in reserve.

3215. A minimum balance?—Outside all probable calls.

3216. May I ask you one or two questions which Sir Ralph Knox wished to ask you, and which I shall be glad to put to you even in an imperfect way. They referred to the constitution of the Council of the Viceroy. Am I not right in thinking that the number of the Council, the Executive Council I think you call it, is eight?—Not so many as that.

3217. Seven?—There are the Viceroy, the Commander-in-Chief, the Military Member, the Home Member, the Public Works Member, the Finance Member, and the Legal Member—seven. It varies, it is not necessarily the same; the Public Works Member is not always there.

3218. Out of that number we may say that all represent spending departments, except the Viceroy himself and the Financial Member?—I should not make that exception there; I should make no exception there. The Viceroy is in charge of the Foreign Department which has a very large political area beyond the Indus, which causes very considerable expenditure.

3219. Unless the Viceroy throws his weight on the side of economy, the Financial Member stands quite alone?—Yes.

3220. One naturally thinks, therefore, that it might be possible to strengthen the financial element in the Council. I think I am right in saying two of the members are military?—Yes.

3221. Would it be possible, and might it not be expedient, to do with one Military Member, and appoint, in place of one of the two, someone who would be quite independent of any spending department, and who would naturally lean to the financial side?—If it were possible, of course it would strengthen the Financial Member's hands very much.

3222. Do you think it necessary to have two Military Members?—That is a very large question that has been much debated.

3223. Has it ever been considered whether it would not be possible to add a member who would not be interested in expenditure?—I do not think that that has ever been considered.

3224. Someone, say, to represent revenue. You now have on your permanent staff a Secretary for Finance, and a Secretary for Revenue. Their duties are to a great extent akin, and that fact seems to suggest that there might be a second Financial Member of

Council, who would specially represent revenue?—But there is a second member of Council; the member in charge of the Home Department is also in charge of the Revenue and Agricultural Departments.

3225. I see, but he is deeply interested in expenditure, is he not?—He is interested in expenditure because the Provincial Governments indirectly are under him—I will not say under him, but the Provincial Governments are mainly in his department, and the expenditure initiates with them, he has no direct administrative reason for expenditure.

3226. But, then, does he naturally tend towards siding with the Financial Member?—No, I do not think he does. He naturally, I think, tends towards developing the country, for instance, by railways. I think that is very natural; and he naturally depends on the extension of the various administrative departments of the Government in the direction which his own experience teaches him are requisite; most of which necessitate increase in expenditure. On the other hand, he probably feels in common with the Finance Minister that he is responsible for the well-being of the people, and that any burden put upon them in excess of what they are likely to be able to bear would lead to consequences which he would consider it his duty, as far as possible to guard against.

3227. That leads to his support of the Financial Member not infrequently, perhaps?—I think the Financial Member very often reckons upon his support; but my experience is that he finds him very often in opposition.

3228. (*Chairman*.) What was the origin of its being thought necessary to have two Military Members of Council, do you know?—No, I do not know. I think the second man is put as a financial check on the Commander-in-chief.

3229. (*Sir Andrew Scoble*.) But the Military Member is an ordinary Member of Council?—Yes.

3230. The Commander-in-chief is an extraordinary Member of Council?—Yes.

3231. (*Chairman*.) That is the point I wanted to ask; was the original idea that the ordinary member of Council was a financial check upon the Commander-in-chief in Council?—That is the use to which he has grown up; whether that was the original idea one would have to go very far back into the history of the Crown and Company in India to find that out. But that is one of the recognised functions which he is now supposed to fulfil.

3232. And would you say that that is the result and that the Military Member of Council is, in practice, a financial check upon the Commander-in-chief?—No, I cannot say that he is.

3233. (*Sir Andrew Scoble*.) In your recollection, have you not known that the proposals of the Commander-in-Chief, in regard to an expedition, for instance, have been considerably modified upon the advice of the Military Member of Council?—I do not think in my time that there was any expedition. Beyond Upper Burma, I do not remember any other expeditions; there may have been.

3234. The recent Black Mountain Expeditions were not in your time?—No.

3235. Now, when you speak about the Financial Member of Council standing quite alone, does he not constantly receive support from his other colleagues in his proposals for economy?—In matters of comparative routine very constantly.

3236. Have you not known, for instance, the proposals of the Public Works Department cut down in Council, when they came to be considered?—In some cases cut down; in others I have found myself alone, combating them.

3237. But the practice is, is it not, that all these proposals for expenditure, large expenditure I mean, outside the routine come before the Council as a body, unless they have been accepted previously by the Finance Member himself?—Yes; certainly distinct proposals involving expenditure come before the Council as a body.

3238. And was your experience so unfortunate that you always found yourself unsupported by your colleagues?—I found myself more frequently in opposition than supported by them, both with regard to public works and with regard to military expenditure. The proof with regard to the latter was that the Law Member of that time alone supported me, and he was the only

member who did. The proof with regard to public works was, that on more than one important occasion I had to record a solitary dissent.

3239. But on all those occasions the voice of the majority of the Council was against you?—Yes.

3240. The Law Member's is not a spending department, is it?—He is interested in the improvement of the judicial administration throughout India, and so far, indirectly, like the Home Member, his is a spending department.

3241. But not so directly as the others are?—Not like the Public Works nor the Military, no; neither his nor the Home Member's.

3242. Now, with regard to Parliamentary control. You were asked whether a well-regulated and systematic control exercised by Parliament, by means of a well-organised committee, would be an advantage. Do you consider such a control possible?—I gave my answer. I do not remember exactly what my answer was; but I recorded my answer.

3243. Having regard to the circumstances of India, do you think that a well-regulated and systematic control over Indian finance could be exercised by a committee of the House of Commons?—I could not possibly answer a question of that sort—give any direct answer to that question. I mean it would be necessary to know what would be the powers of the Committee, what is possible, and so on. I have not thought of coming to a conclusion about it.

3244. (*Sir James Peile*.) You are aware of the order in force, that if the Viceroy and the Finance Member agree about a financial question as against the rest of the Council, action is suspended until a reference is made to the Secretary of State?—Yes.

3245. Sir David Barbour told us that that rule was never used; it would, however, only be not used, I suppose, where the Viceroy and Finance Member were strong enough to do without it?—It did not exist in my time. I cannot say how it would work.

3246. But if the Finance Member and the Viceroy agree, generally speaking their view would prevail, would it not?—I should think so.

3247. But what Sir D. Barbour called the weakness of the Financial Department would come in when the Viceroy does not support the Finance Member?—I think so, yes.

3248. Then the Finance Member would only have one vote, like any other member of the Council?—Yes. He has, of course, the right to dissent, if he finds himself overruled.

3249. You would not be in favour of allowing him by himself to suspend action pending a reference to the Secretary of State?—No.

3250. That would be inconsistent with his position as a member of a Cabinet, which he really is?—His individual responsibility, large as it is, is not sufficiently large to entrust him with that power.

3251. The Viceroy may incline to the views of the Political, or the Military, or the Public Works Department, as against the Finance?—He may.

3252. We have had tables put before us in which there is shown in the ten years 1884-85 to 1894-95, a net increase of military expenditure of Rs. 2,500,000 annually, besides exchange upon that sum, and in the Civil Departments an increase of Rs. 500,000 annually. I suppose the increase in the Civil Departments, 1884-85 onwards, would be a great deal due to the annexation of Burma?—I think so.

3253. And the military charges are shown to be due to special operations and also to operations in Upper Burma?—Since what year—1884?

3254. Since 1884-5?—It would be largely due to increase in the strength of the army of India.

3255. (*Chairman*.) That was in 1884, was it not?—It was brought into effect in 1886; it began in 1886.

3256. (*Sir James Peile*.) The increase in the military expenditure largely arises from the extension of our sphere of political influence, does it not?—So far as Upper Burma is concerned.

3257. Which leads to small wars, expeditions, and occupations?—The military expenditure

Confidential.

INDIAN EXPENDITURE
COMMISSION.

At the India Office, Downing
Street.

THIRTY-FIRST DAY.

Wednesday, 27th January 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field Marshal Sir DONALD STEWART, Bart., G.C.B.,
G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. R. G. C. MOWBRAY.
Mr. DADABHAI NAOROJI.

Mr. COLIN G. CAMPBELL, Secretary.

Mr. H. MORGAN BROWNE, late Secretary of the British
Committee of the Indian National Congress, called
in and examined.

13,724. (*Chairman.*) Mr. Morgan-Browne, you are
secretary to the British Committee of the Indian
National Congress, are you not?—I was secretary.

13,725. And you come here specially to speak upon
the note on the Indian Finance Minister's Budget,
which has been sent round to us by Sir William
Wedderburn; and also on that you have given us a
paper on certain points, which will form the subject of
your evidence?—Yes. There was also another paper,
a memorandum on Indian financial expenditure, which
was printed in the Appendices.

13,726. That is what Sir William Wedderburn calls
the first note, is not it?—No, it is a memorandum
distinct from either of the notes. Perhaps I might say
that the notes that I am speaking to are Note No. 1,
on Mr. Westland's Budget, 1894-95, Note No. 2, on Sir
James Westland's Budget the following year; a memo-
randum on Indian financial expenditure.

13,727. Which is already in the Appendix?—Which
is already in the Appendix.

13,728. (*Sir William Wedderburn.*) I think, Mr.
Morgan-Browne, you prepared these memoranda under
the instructions of the Committee?—That is so.

13,729. And your object was to analyse and arrange
the official figures so as to make them as intelligible as
possible?—Yes.

13,730. And you came to certain conclusions?—Yes.

13,731. And these general conclusions are stated in a
memorandum of proposed evidence which you handed
in to the Secretary, and which has been circulated to
the Commission?—The main conclusions are there
stated; yes.

13,732. The Note No. 2 to which the Chairman has
just referred is in amendment, to a certain extent, of
Note No. 1, with reference to the criticisms made upon
it by Sir James Westland in the Legislative Council at
Calcutta, I think?—I should more likely describe it as
in continuation. There were one or two amendments,
certainly, which I made on reference to criticisms
which Sir James Westland passed on the first note, but
strictly speaking it takes a different period, and really
is a separate document to Note No. 1.

13,733. And the memorandum of expenditure dated the 26th June 1895, which you have just mentioned, that is an analysis, I think, of 20 years of expenditure?—Yes, an analysis of expenditure on the basis of net expenditure, following to some extent the return which Sir Henry Fowler has now moved for two or three years in succession in the House of Commons on Indian expenditure, and based very largely upon that form of putting the accounts.

13,734. And there is also one more printed paper, dated the 12th August 1895, a note on Sir Henry Waterfield's memoranda?—Yes; that was the note which you put in at the last meeting of the Commission.

13,735. And you are prepared to undergo cross-examination upon these papers in order to show the source from which you obtained your facts and figures, and to give the reasons for the conclusions which you have summarised?—Yes.

13,736. That is your position?—That is exactly my position.

13,737. I will take in the first place Note No. 2, and if you look at the beginning of that note I will ask you a question with regard to the first four paragraphs of that note. I think that that refers to certain criticisms which Sir James Westland made upon Note No. 1?—Yes.

13,738. Would you state the point?—In the first note Sir James Westland said there was one gigantic blunder which appeared in the very first page of it, meaning that there was a certain amount of the charge for exchange which did not appear in the proper exchange column, and had not been taken into account in deducting the exchange from the total expenditure, and that to that extent the figures were wrong. That would be so. In the first note account was not taken of exchange, compensation, allowance, and of the additional cost of exchange caused by the fact that the pay of the British troops is in sterling; but I should like to point out that mistake, so far as it is a mistake, arose from the form in which the accounts are published and presented to Parliament, and that it was a mistake into which Sir James Westland himself on a former occasion had fallen. At paragraph 4 of this note, I there explain that at page 8 of the financial statement of the Government of India, for 1888-89, is a table which was submitted to the Viceroy's Council by Sir James (then Mr.) Westland, when introducing a Bill to provide for the levy of a customs duty on petroleum; and in that table he there gives these figures, showing the net army expenditure, excluding exchange at so much in different years. But in that account he had left out of account the fall in exchange on the sterling pay of the British troops. It did not affect materially one way or the other his argument. I am only instancing this to show how easy it is for experts to fall into error on this point of leaving out exchange, by reason of the fact that the exchange column in the accounts does not represent the whole of the cost of exchange in the Government of India accounts. In this second note, I may say that I have been very careful to avoid any possibility of such error, and that every possible form of exchange, except such forms as may arise from differences of price and small matters like that, which cannot be traced, but every legitimate form of cost of exchange has been separated from the total expenditure, and shown separately.

13,739. Then paragraph 7; will you explain to the Commission why you selected the year 1888-89 for the purpose of comparison?—Because, in criticising that note No. 1, Sir James Westland said that we had misunderstood his argument. His argument was that he admitted an increase of military expenditure, but pointed out that it had its origin before 1888, in the charges which were necessitated by the increase of the troops for Upper Burma. Therefore I took that date as being a convenient one, because at that time the charges for the extra troops would already have come into account, and therefore I took 1888 as a fair starting year of normal expenditure under the new order of things with regard to the increase of troops.

13,740. Then will you look at paragraphs 6 to 10, and state what the objection is to the comparisons made by Sir James Westland, based upon conversion into sterling?—Sir James Westland took the accounts of the Government of India for a series of years, and reduced them all into sterling, and by that means was

able to show an apparent decrease in Indian expenditure. The reason was pretty simple, because 500,000,000 of rupees at the beginning of this series were worth more in English money than 650,000,000 of rupees now are, so that even an increase of 150,000,000 of rupees in the expenditure of the Government of India, would appear in the sterling table as an actual decrease in expenditure. In paragraph 10 of this note I showed what the effect of such a system would be upon Imperial expenditure—meaning English expenditure—and also of treating the National Debt, and I show there how, if we were to take Imperial expenditure and translate it into a currency which was not the currency of the country, subject to this variation in exchange, and then re-translate it back, we arrive at contradictory results, and that a slight increase of some 4,000,000*l* in our Imperial expenditure during 10 years would have become an increase of 22½ millions, so that a decrease in the National Debt of 18 millions sterling during the last 10 years would have been converted into an increase of not less than 110½ millions sterling. I did that to show the fallacy of the table published by Sir James Westland, and which would naturally come before the public, and lead to the belief that actually the increase of Indian expenditure was purely illusory, and that the Indian Government were really spending less and taking less from the people than they were formerly.

13,741. This illustration in paragraph 10 is a *reductio ad absurdum* of the argument by which Sir James Westland tried to prove the great economy of this Indian Government?—Yes.

13,742. Then paragraphs 11 to 13; I think that you take certain objections to the form in which the accounts are presented to Parliament, and will you state the reasons for preparing Tables 1 and 2, shown in pages 6 and 7, in the form which you have adopted?—The chief objection, I thought, to the form of presenting the accounts to Parliament is that gross expenditure is shown, which includes a great deal of railway expenditure.

13,743. For commercial services?—Commercial services. That was one of the chief differences—a difference of 25 millions it makes. The Government of India have, for a long time, published, along with their gross tables, net tables, but the net tables deduct the charges for the cost of collecting the revenue. My own idea as to presenting the accounts of a Government is, that every penny of taxation taken from the people should be shown on the revenue side, and, of course, every penny expended should be shown on the expenditure side, and that, therefore, the charge of collecting the revenue should come into the expenditure side; but that where there are commercial services, and where they do not involve an actual burden upon the people, but are merely money paid for services rendered, which might have been done by a trading company instead of the Government—that there only the net results of the enterprise of the Government should be shown. This was also a table adopted by Sir Henry Fowler in his return, and I have followed that very closely, except in some small matters of detail, with which I need not now trouble the Commission.

13,744. (*Chairman.*) Which table do you mean Sir Henry Fowler adopted—the gross table?—No, Sir Henry Fowler made a new table of his own entirely.

13,745. Based upon the net expenditure?—Yes, based upon the real net expenditure.

(*Sir Edward Hamilton.*) It was based on the lines of his annual return.

13,746. (*Sir William Wedderburn.*) I think the British Committee brought this matter to Sir Henry Fowler's notice, and begged that such a change should be made?—No, I think Sir Henry Fowler had already made his return, and the British Committee submitted to Sir Henry Fowler certain criticisms on that table. The criticisms are contained in the appendix to this Note No. 2, Appendix A.

13,747. And that Appendix A, you consider is a correct statement?—No, there is a further correction I should suggest in that, and one which, I think, the India Office are making themselves, and that is that the cost of collecting opium ought not to appear as expenditure—that the opium revenue ought to be expressed absolutely as net—because the cost of cultivation is there not a burden upon the people in any way

—it is not like the collection of the land revenue, or the collection of stamps, and it is really a commercial service.

13,748. (*Chairman.*) Do the India Office propose to make this correction in what you describe as the net tables which they add on to the gross tables?—Yes, their tables are practically the same, I believe, as this one, or rather this one is practically the same as theirs.

13,749. Therefore the net table which they present, modified as you think they are going to modify it, would practically coincide with your view?—Practically.

13,750. (*Sir William Wedderburn*) Then paragraphs 15 and 16; I think these contain an analysis of Tables 1 and 2. Will you just state what the point of that analysis is?—These tables are a comparison of the expenditure in 1888-89 and that by the estimate of 1895-96. It is shown there that the total increase in expenditure during those years was eight crores. That increase was made up of 1½ crores in the cost of collecting the revenue, a decrease of half a crore in the Debt services, an increase of nearly four crores in the Civil Service, including Civil Departments, miscellaneous charges, and building of roads, an increase of over five crores in the Military services, a decrease (that is, an improvement, really) of a quarter of a million on the whole of the Commercial services, including the Post Office and Telegraphs, the Mint, the Railways, and the Irrigation. That was another minor criticism which I made in the tables of Sir Henry Fowler, that if you have a heading "Commercial Services," it ought to appear either on one side of the account or the other. In Sir Henry Fowler's tables there is a heading "Commercial Services" on the expenditure side and a heading "Commercial Services" on the revenue side, because some of the Commercial services are paying and others are not paying. I suggested that if we have that heading, the net result of all the Commercial enterprise of the Government of India should be stated on one side of the account or the other, and it is following that that I have put this heading here—"Commercial Services"—and the special services and administration were practically the same. In Special Finance there was an increase of half a crore, and in the provincial surplus or deficit there was a nominal improvement of nearly a crore. That made up the total increase of eight crores.

13,751. Then paragraphs 17 and 18; these deal with the important question of loss by exchange. Will you explain upon what ground you make a distinction between what has been called automatic loss by exchange and voluntary loss by exchange—that is to say, voluntarily incurred loss by exchange—and in what points you differ from the view held by the Government?—There are four principal means by which loss by exchange becomes a charge upon the expenditure of the Government of India. The first is that, due simply to fall of exchange, where 1l. of sterling, due expenditure, which in one year, say, would have cost 12 rupees, in another year will cost 13 rupees. Then again there is increase of cost of exchange due to the increase of the sterling charges, where 1l. 10 years ago cost 12 rupees, then in 10 years' time, perhaps, there will be 30s. of expenditure to represent that 1l., and that, perhaps, again, by an increased rate of exchange, say, at 14 rupees, will add much more than the mere loss due to the fall in the exchange, because there will be the additional cost of exchange due to the increase in the sterling charges. Then there is the cost of exchange due to the fact that the British troops are paid in sterling. And then there is, lately, in the last few years, the cost of exchange due to exchange compensation allowance. Of those four classes of exchange, in my opinion, only the one due to the fall in exchange on the sterling expenditure as it was in the past, and that due to the fact that the troops are paid in sterling, constitutes automatic exchange. That is what is really due; whatever the Government may do, that exchange will go on increasing if the rupee continues to fall in relation to the 1l. The exchange compensation allowance, however necessary it may be, was a deliberate act of the Government of India, within their control. It may be necessary—I am not suggesting in any way, or disputing the policy, I am only saying that, as a matter of fact, it was a voluntary increase of the burdens of the Government of India. And the increase on cost of exchange, which is due to increase of sterling charges again, is almost entirely—there are

some exceptions, perhaps—a voluntary increase on the part of the Government of India. In referring to exceptions, I mean certain schemes of pensions which were begun years ago, and which Sir Henry Waterfield explained must go on increasing, would naturally fall under the heading of automatic increase of exchange; but except for that exception, those headings where the increase in the cost of exchange is due to increase in the sterling charges, and where it is due to exchange compensation allowance, I should call that a voluntary (however necessary) increase of exchange by the Government of India, and not to be classed in the same category as that which is due to the fall in the value of the rupee.

13,752. Therefore the Government of India, on account of what you have called the voluntarily incurred loss, cannot complain that this was entirely outside of their responsibility, and that they could not have foreseen it. As I understand, you think that they might have foreseen it, and could have provided for it?—I think this—where they are going to increase, say, the sterling charges, however necessarily, they should take into account at the moment the probable increase of exchange on those sterling charges, and that they ought not, therefore, to say that it is the cost of exchange which has swelled the increase so much, and that in the same way, with the increase in exchange compensation allowance, it should not be called due to exchange, but should be classed as an increase of expenditure, to be defended as such.

13,753. (*Sir Andrew Scoble.*) It is merely a question of book-keeping?—Not entirely, because it becomes a question—in the one case it is all thrown on to exchange, and the public over here regard that, therefore, as in no sense the fault of the policy of the Government of India, whereas, in the other case, if it is calculated as an increase of expenditure—then it becomes a question to consider whether the expenditure was justified or not. It seems to me to make a material difference to the point of view as to the financial management of the Government of India.

13,754. Assuming that the increase in the sterling charges was inevitable, is not it a mere question of book-keeping whether you put the exchange under one head or under another. I think in the way you propose it is an increase in exchange, whether it is automatic or voluntary?—Quite so; it would not make any real difference even in the book-keeping. This note was drawn up to contest the statement of the Government of India that their financial difficulties were due to exchange and exchange alone, and I am saying that at any rate some portions of the exchange were not properly due to the fall in the value of the rupee, but were due to the deliberate policy, however good and desirable, of the Government of India, and that, therefore, they are estopped from saying that it is exchange which is responsible for this particular increase in their charges.

13,755. Yes, but my point is, assuming the increase to be necessary and unavoidable, it really does not matter under what head you put the increase by reason of exchange, whether you attribute it to voluntary or to automatic causes, does it?—It would not make any difference.

13,756. It really resolves itself into a question of policy in the first instance, and the rest is mere account keeping; is not that so?—It makes a great difference. If the Government of India think it necessary to plead exchange, it is necessary that that plea should be perfectly valid right throughout.

13,757. (*Sir James Peile.*) But if the rupee had not fallen there never would have been any compensation allowance at all?—That, I presume, would be so.

13,758. Then the compensation allowance is entirely due to the exchange and nothing else. It is not to carry out any measure of the Government of India of an administrative kind; it is simply to fill the gap caused by the fall in the rupee?—It is due to it, but not necessarily due to it.

13,759. Certainly, if it is a matter of policy, it is necessary to fill up that loss?—If they have got to pay interest on the debt and the rupee falls, the increase in the interest is necessary because of the fall in the rupee, but where they had not before exchange compensation allowance, if they impose it because of the fall of the rupee, it is true it is due to it but not necessarily due to it.

13,760. The Government of India consider that it is; you get there to a question of policy?—Quite so; then, as I say, it is an increase of expenditure to be defended as such, not to be put down merely as the operation of exchange. That was my point.

13,761. I do not see that in the accounts it is any use making a distinction?—I do not suggest that you can make a distinction in the accounts; I am only suggesting that the explanation given by the Government of India as to their difficulties being entirely due to the operation of exchange is not absolutely correct.

13,762. I think it is, decidedly.

13,763. (*Mr Courtney*.) You want to bring out the point of difference between what is within the discretion and what is not within the discretion of the Government of India?—Quite so; yes.

13,764. Although the distinction may be influenced by circumstances that they could not as reasonable people avoid observing and complying with?—Quite so.

13,765. For instance, if they engaged to pay a man 100*l* sterling, the additional number of rupees they may have to pay him in India is not within their discretion?—Quite so.

13,766. But if they engage to pay the same man 1,000 rupees, it is within their discretion whether they increase it or not?—Entirely.

13,767. Although their discretion may be influenced by such circumstances as a reasonable man could not fail to observe?—Of course.

13,768. (*Chairman*.) You are admitting the plea of the Government of India that a great part of the increase of expenditure is due to the fall of exchange, and is automatic, but you want them to amend their plea by taking out those items which you contend are in the discretion of the Government?—Quite so.

13,769. It is not a question of altering the account; it is a question of the correct statement of their plea that a large part of the increase is due to fall in exchange?—Entirely.

13,770. (*Sir William Wedderburn*.) That is as regards the compensation allowance—that is to say, as regards the Army it is the case that as to the charges for men your argument does not apply?—Except in so far as the increase of the Army in 1886, or 1885, added to the sterling pay of the British troops. That is purely a question of policy.

13,771. (*Sir Andrew Scoble*.) That is policy again?—Quite so.

13,772. (*Sir Ralph Knox*.) But the argument is different as regards the officers from what it is as regards the men?—Quite so, because I understand the contract with them is to pay them in sterling.

13,773. (*Chairman*.) You are not questioning the policy; you only want to make a distinction between the two classes of Indian expenditure—that over which the Indian Government have no control, and that over which they may have control?—Quite so.

13,774. You do not condemn them for that policy?—I am not questioning the policy in one form or another.

13,775. (*Sir James Peile*.) I should like to put it in this way: that if the exchange compensation was not automatic, it also was not quite avoidable?—That is a question of policy, which I am not discussing.

13,776. Quite so, but you are not supporting them?—I am not qualified to give an opinion on the question of policy.

13,777. (*Sir William Wedderburn*.) What was exactly the plea—was it not that the financial difficulties were entirely due to exchange. What was the exact plea that the Government of India put forward?—I think it will be found in Note No. 1. I have quoted there from Mr. Westland. Mr. Westland at that time stated in his speech, on the introduction of the Tariff Bill in the Viceroy's Council on the 1st of March last—that would be in 1894—

13,778. (*Chairman*.) Are you reading from Note No. 1?—Note No. 1. It is in the Appendix; it is the first paragraph. I merely quote—"he attributed the estimated deficit of *Rs.* 3,500,000 on the Indian Budget for 1894-5 to 'one cause, and one only,' namely, Exchange. More particularly he stated that " 'the fall in the value of the rupee has of late been

“ increasing the burden of our sterling payments in
 “ a ratio which far outstrips any possible increase to
 “ be hoped for in our revenues.”

13,779. And that note comments upon that by saying,
 “ It appears, therefore, that the Government of India,
 “ speaking by its Finance Minister, maintains that loss
 “ of exchange is the sole cause of the present financial
 “ difficulty.”—Yes.

13,780. (*Mr. Mowbray*.) Is that a quotation?—Part of
 it was a quotation.

13,781. “One cause, and one alone”?—That was a
 quotation.

13,782. That relates to the estimated deficit in that
 particular Budget?—It was so on that occasion, clearly
 he was speaking to one Budget.

13,783. (*Sir Andrew Scoble*) What year was that?—
 That was in 1894—the 1st of March 1894; but, of
 course, that is one isolated instance. Nearly every
 year for the last five or six years Indian Finance
 Ministers have made the same plea, that exchange,
 and exchange alone, is the cause of their financial
 difficulties.

13,784. (*Sir William Wedderburn*) And I think that
 plea has also been regularly put forward in Parliament
 at the time of the Indian Budget statement?—As far as
 my experience goes, that is so.

13,785. The British Committee of the Indian National
 Congress have brought this point to the notice of the
 Secretary of State formally without these arguments
 being recognised or replied to, as far as you are
 aware?—Yes.

13,786. Will you look at paragraph 19 and explain
 the object for which Table 3 has been prepared?—This
 table was prepared to show how the separation of
 exchange into different classes would affect the matter.
 Table 3 at page 10 of Note No. 2 breaks up the increase
 in the expenditure of the Government of India between
 the years 1888-89 and 1895-96 in the following manner.
 It divides the expenditure into civil and military
 expenditure, including thereunder collection of revenue,
 civil departments, miscellaneous charges, and civil
 works, and the army services and military works into
 one block of expenditure, and into the other block it
 places all other expenditure of the Government of
 India—the Debt Services, the Commercial services, the
 Special Services, Special Defence, and change from
 provincial surplus to deficit. That is a big entry. The
 result is this: that during those seven years the
 expenditure in civil and military services, the total
 increase excluding exchange in any shape or form, was
 5 crores 429 thousand (Rs. 5,429,000), and in other
 expenditure there was a corresponding decrease of
 Rs. 5,771,000. In the cost of exchange on the first half
 there was an increase of 2½ millions due to the fall in
 the exchange value of the rupee, and 654,000 due to the
 sterling pay of the British troops. Exchange compen-
 sation allowance cost Rs. 1,300,000, and the increase due
 to an increase of 1,000,000% in the sterling charges
 during those seven years is 848,000. Therefore the
 total increase in civil and military expenditure in any
 way due to exchange was five millions, bringing
 up the total increase in that portion of the expendi-
 ture to 10½ millions. Then on the other hand, in
 the other portions of expenditure there was a total
 increase of exchange under these three heads of
 3,365,000 against which there were savings of 5½ millions,
 so that in spite of that heavy cost of exchange on all
 the other branches of expenditure there was a net saving,
 a net improvement on the financial position, of
 2,406,000, and that being set off against the heavy
 increase of 10,473,000 produced a net increase in all
 expenditure of 8,067,000, as shown in Table 3. The
 further object of this division was to show that under
 certain heads of expenditure, either by good manage-
 ment, by economical control, or by good fortune, or by
 some savings, for instance, in reducing the Famine
 Insurance Fund, there were made sufficient savings in
 expenditure to more than cover the cost of exchange;
 therefore reducing the real burden of the increased cost
 of exchange to that which fell upon the civil and
 military expenditure of the Government.

13,787. Therefore, in certain departments, they were
 able to meet the fall of exchange, the loss by exchange,
 while in other departments they not only failed to meet
 in their own departments the loss by exchange, but they
 consumed the savings of the other departments and the
 whole of the increase of revenue that had accrued
 during the period?—That is so, including additional

taxation; and the increase in those other departments was greater than the increase due to the exchange in those other departments.

13,788. (*Sir Andrew Scoble.*) I should like to ask you about that table; Column 7 shows that the total increase attributable to exchange was 8,409,000, does not it?—Yes.

13,789. The total increase, excluding exchange, was a saving of 342,000. This is Column 3, is not it?—Yes.

13,790. But taking the total increase, including exchange, the total increase shown in Column 8, 8,067,000, is somewhat less than the increase attributable to exchange on the whole transactions?—Yes.

13,791. Then exchange really accounts for the whole of the increase and rather more, does not it?—That depends entirely how you look at it.

13,792. But I mean on your table?—It is merely a question of which figures you set off against the others.

13,793. Well, setting off eight against seven?—Yes, if you take those two columns, each nearly equals the other column; it rather exceeds the total increase brought about in the way the table shows.

13,794. Well, that rather confirms the view that Sir James Westland expressed in the passage that you quote, does not it?—I think not.

13,795. Why not?—I think not, for the reasons that I have given—that in the 8 millions total increase is included a total increase of $5\frac{1}{2}$ millions apart from exchange besides the $8\frac{1}{2}$ millions due to exchange, and that you cannot say that the whole of that 8 millions is due to the exchange part, and that none of the $5\frac{1}{2}$ millions apart from exchange has gone to make up that final total, that is, the resultant total, and really Columns 7 and 8 cannot be set off one against the other; they are both resultant totals.

13,796. That is your view?—That is my view; yes.

13,796a. (*Mr. Courtney*) Any straw is the last straw?—That is so; yes.

13,797. (*Sir William Wedderburn.*) Then in paragraphs 21 and 22 I think you summarise the position of loss by exchange in the expenditure, and you contend that loss by exchange has long ceased to be an uncertain element in Indian finance, and it ought to be provided for with as much foresight as any other necessary charge of the Government of India?—Yes, more than 10 years ago the cost of exchange had become so serious that the Government of India recast all their accounts in order to show the operations of exchange.

13,798. So that it should not be regarded each year as a sort of unexpected calamity that befalls the Indian Government, and which is to be made an excuse for everything that is wrong in the Indian accounts?—I should imagine that by this time it must be expected.

13,799. (*Sir Andrew Scoble.*) Do not you find it anticipated and provided for in every annual Budget?—Yes, it is anticipated.

13,800. And provided for?—And provided for.

13,801. (*Sir James Peile.*) But naturally deplored?—Deplored, and even that there is no objection to; but it is made the excuse for all the increases.

13,802. No, excuse me, you said "made the excuse"?—The plea is that it is only the exchange which causes the increase of expenditure.

13,803. I do not call that an excuse, do you—it is a fact?—Well, perhaps it is an unfortunate word; it is the plea that is put forward.

13,804. I do not agree with "plea" either—the explanation.

13,805. (*Sir William Wedderburn.*) From these facts and figures that you have brought forward you consider that certain propositions have been established: will you read the first of those propositions in case any objection is raised?—"During the seven years from 1888-89 to 1895-96 the expenditure on the civil and military services alone has increased by Rs. 5,429,034, quite apart from any increase due to exchange; and if we add the Rs. 848,769 due to exchange on the increased sterling charges, which is an increase within the control of the Government of India, we find that the increase on the services amounts to the enormous total of Rs. 6,277,803, besides Rs. 4,195,628, which may be said to be due to the fall in exchange."

13,806. To the automatic fall in exchange you mean?—Quite so, including, of course, the sterling pay of the

British troops—that we had included in there—and exchange compensation allowance.

13,807. And you consider that this is a deduction partly from this No. 2 Note, and also from your memorandum of expenditure?—No, this is entirely from No. 2 Note, because this was anterior to the other.

13,808. (*Sir Andrew Scoble*) You do not intend to suggest, in stating that proposition, that this expenditure has been unnecessary or extravagant?—I do not intend to suggest anything of the kind, I am only stating the fact that it has been so.

13,809. (*Sir William Wedderburn*.) Proposition No. 2?—“While the expenditure on the civil and military services has been increasing by about Rs. 6,000,000 (leaving out of account the increases in the cost of collection of the opium and customs revenue) other expenditure, apart from the question of exchange, has decreased to the extent of about Rs. 5,750,000.”

13,810. (*Sir Andrew Scoble*.) Those are the figures contained under heading B. of your Table 3, are they not?—Yes, the other expenditure.

13,811. (*Chairman*.) They appear in Column 3?—They appear in Column 3, both sets of figures.

13,812. (*Sir William Wedderburn*.) When you say that you do not express any opinion upon the necessity of the expenditure, you do not mean to say that you approve of it; you mean to say that that question is not relevant to your present evidence, which is purely financial?—Entirely so.

13,813. Proposition 3 then?—“In civil and military expenditure we find, instead of economies to meet the heavy burden of Rs. 4,195,628, due to the fall in exchange, Rs. 6,277,803 of additional expenditure—in other words, for every rupee of additional burden entailed by the fall in exchange, the services add another rupee and a half on their own account.”

13,814. (*Mr. Courtney*.) Is not there some suggestion of blame there; do not you go beyond a mere arithmetical statement?—There, undoubtedly, may be a suggestion of blame, but I am now attempting to say what the figures point out, and the statement there is strictly accurate on the figures.

13,815. But a pure arithmetician might state it differently?—It might have been stated in other words, of course.

13,816. (*Mr. Mowbray*.) From which column do you get your figure 6,277,000?—Column 3 and this added together.

13,817. Then, in fact, that figure includes an item which the Indian Government put down to fall in exchange?—Yes, it includes the increase in the cost of exchange due to the increase in the sterling charges.

13,818. And your reason for not allowing that to be a matter of exchange is that the Indian Government, as you say, voluntarily incurred a sterling charge, and ought to have foreseen the increase which would result from the fall in exchange?—Yes, it ought to have been classed as an increase of expenditure, pure and simple, and not as an increase due to exchange.

13,819. They ought to have foreseen the fall of exchange?—Not necessarily from the point of view of avoiding it, but, if it were necessary to make it, it should have been called an increase of expenditure, and not an increase due to the fall of exchange.

13,820. But it seems to me an increase would not have taken place unless the rate had fallen?—Un- doubtedly some of it would, because it was due to increased sterling charges.

13,821. And therefore the question always is how for the Indian Government ought to have refrained from an expenditure which they considered unnecessary, because it might probably involve a further loss by exchange owing to a further fall in the rupee?—But I think I ought to point out that this increase of exchange, due to the increase of sterling charges, does not include the difference merely between the exchange of Rs. 12 to the £, and Rs. 17 to the £, but it includes, for additional sterling charges, the whole of that fall, Rs. 12, or rather the difference between the Rs. 12 and the Rs. 10; it includes that as well as the additional increase due to the fall; therefore, in no sense can it be entirely put down to the fall in exchange.

13,822. (*Chairman*.) You look upon it as a part of the integral cause of this expenditure?—Entirely so.

13,823 Just as much as this same experience has shown that the fall in exchange is practically permanent. Therefore this extra charge ought to fall into the estimate that the Indian Government made of the cost involved in this new service?—Quite so.

13,824. (*Mr. Motbray*) But some of that 848,000 is due to the fall between 1889 and 1895?—Undoubtedly so.

13,825. (*Sir Andrew Scoble*) I should just like to ask you, what do you mean by the services in that paragraph—you say “the services added another rupee and a half on their own account”?—I mean the whole civil and military services of the Government.

13,826. Not the civil and military services as individuals, but the whole cost of the Government?—Quite so.

13,827 Is not that rather an invidious way of putting it—“the services on their own account”—do not you think that is now, on reflection, rather an invidious way of putting it?—Well, naturally, I cannot say “Yes” to that, because otherwise I should not have put it if I had thought that it was an invidious way of putting it.

13,828. At the same time you cannot say “No”?—It seems to me that it is a matter of expression.

13,829. (*Mr. Courtney*.) Sir Andrew asked you whether you could not on reflection?—I could express it differently, but I do not know that I should wish to express it differently.

13,830. (*Chairman*) You would not wish to express it in any way so as to imply a reflection, since you are not making a reflection—therefore if your readers take it as a reflection, when you learned that that was the case you would not mind reconsidering the mere method of wording?—Quite so. I do not mean to express there any invidious reflection on members of the two services, and, indeed, if that is what Sir Andrew Scoble means, I am willing to modify it.

13,831. (*Sir Andrew Scoble*) I mean that instead of saying that the cost of the Government has increased by another rupee and a half, you say “the services have added another rupee and a half on their own account,” that seems rather to point to the services as individuals, and not to the Government as an administrative machine?—Well, if that is so, I should, on reflection, like to express it differently, to express it clearly that it is the cost of government.

13,832. (*Sir William Wedderburn*) I remember the circumstances under which these headings were selected. Was not it purely for the object of distinguishing one portion of the civil and military expenditure from other certain portions?—That was so; there was a certain limit to the number of words that could be used, and it was sometimes rather difficult to employ words which should not create confusion, and therefore on an occasion like that I employed “services” to indicate all those headings—civil and military expenditure, collection of revenue—every department—everything to do with the administrative service of the Government.

13,833. But did not you do your best to follow the expressions and terms used in the official documents, in order to make your figures exactly correspond with those in the official documents?—I think I may say I did.

13,834. (*Sir Ralph Knox*.) The charges that you would criticise more particularly would be the increase due to increase in sterling charges—is not that so. That is to say, the 848,769, and perhaps some portion of that which is included in column 5—the exchange compensation allowance. Is not it so?—I am only criticising it in reference to its inclusion by the Government of India as a charge entirely due to exchange.

13,835. Quite so, but those are the two items—the whole of column 6 and a portion of column 5?—Yes, the A's of column 5.

13,836. As regards the other column, 4, and a considerable portion of column 5?—Well, the B of column 5—654,000.

13,837 Quite so—you would admit that those were automatic and due entirely to the fall in exchange?—Entirely, absolutely, yes.

13,838. (*Sir William Wedderburn*) Then Proposition 4?—“In other expenditure we find the heavy burden

“ of Rs. 3,309,692, due to the fall in exchange, com-
 “ pletely wiped out by reduced charges or increased
 “ profits amounting in the aggregate to Rs. 5,715,802
 “ (i.e., Rs. 5,771,463—Rs. 55,661), leaving expenditure
 “ less, in spite of exchange, by Rs. 2,406,110—in other
 “ words, every rupee of additional burden entailed by
 “ the fall in exchange is met by a saving of a rupee
 “ and three-quarters.”

13,839. You do not, any more than you wanted to cast a slur upon the services—you do not wish to pay a compliment to these others; you only wish to state what you believe to be the actual fact?—Just so, because, as a matter of fact, I believe some economies were arrived at by reducing the expenditure on famine insurance not then arising in those years. I think not. There was no difference, but sometimes that was the case.

13,840. (*Sir Ralph Knox.*) Conversion of debt helped?—Conversion of debt helped, and the change from a provincial surplus to a provincial deficit helped very largely

13,841. (*Mr Mowbray.*) What is the heading “Special Finance” under the other expenditure?—Those were the special finance works.

13,842. And why do you include them in the “other expenditure” rather than in the military expenditure?—I think I was following the division made by Sir Henry Fowler in his tables there. If I were to make this table again I should take that out and put it in “Military Service” certainly.

13,843. (*Sir Ralph Knox.*) But, however, is there any reason why the conversion of debt or the saving due to the conversion of debt should be set off against that particular class of service any more than against the other class?—I there was combining—of course, the division of the table is arbitrary—that is admitted—it was to show the actual administrative cost of government, the civil and military service of government as opposed to the other forms of government.

13,844. (*Chairman.*) Is not your table divided into two very intelligible divisions, namely, the 1, 3, and 4 (A); are those services in which there has been an increase, and do the services called (B) show a decrease?—Yes.

13,845. And you have collected the increases together on the one side and the decreases on the other?—Practically that is what I have done.

13,846. (*Sir Andrew Scoble.*) Would you tell me why, in this fourth paragraph, you take the item of Rs. 3,309,692 as the amount due to the fall in exchange; how do you arrive at that?—That is column 4 and 5—exactly Rs. 3,309,692.

13,847. (*Sir William Wedderburn.*) Then Proposition 5?—“The enormous increase in seven years of nearly 10½ millions Rx. in civil and military expenditure (of which about two-fifths can be said to be due to the fall in exchange) has (i.) consumed all the natural increase in the revenues of about Rs. 5,000,000, (ii.) used up all the decrease in other expenditure of about Rs. 2,500,000 (obtained after paying for Rs. 3,300,000 due to exchange, partly by reduction of charges, partly by increase of profits, partly by starving useful and reproductive services, and partly by meeting the expenditure of the year out of past savings); and (iii.) further necessitated the imposition of fresh taxation to the extent of Rs. 3,000,000 as shown by the following figures:—

Increase in civil and military expenditure.	Rx. 6,250*	Increase in revenue.	Rx. - -	Rx. 5,000
Add—Exchange	4,250	Decrease in expenditure.	5,750	
		Deduct — Increase in exchange.	3,250	
		Net decrease in expenditure.	- -	2,500
		New taxation -	- -	3,000
Total -	10,500	Total -	- -	10,500

* 000ths omitted.

13,848. (*Sir Andrew Scoble.*) There you go beyond the arithmetician into the politician, do you not?—There I was simply translating or adopting a phrase used, or

a series of phrases used, by Sir James Westland himself in one of his financial statements, or rather, his speeches at the Council, in which he complained that the loss of exchange—only he gave it a different cause—was compelling them to starve useful and reproductive expenditure.

13,849. Yes, but still this is rather a political paragraph; this is not merely arithmetical?—Well, as I say, I was taking there what, so to speak, has been admitted by the Government of India.

13,850. And using it *à la in tinto* from the speaker?—Well, I was simply giving it a different reason. The facts are admitted; the facts are the same; he gave a different reason for it.

13,851. (Sir William Wedderburn.) This note, I think, is headed—"Note of Sir James Westland's Budget"?—Quite so; naturally it is somewhat controversial in points.

13,852. (Chairman) There is one rather controversial sentence in it—"partly of starving useful and reproductive services." That rather prejudices the administration of the service during that time which, I think you have told us, was not your intention. You wish to call attention to the facts without implying a reflection. This does rather imply a reflection?—Perhaps it does. It really is the same thing said by Sir James Westland in his speech in the Council, only he gives the reason that it was the fall in exchange that has done it; that they were compelled to starve the services.

13,853. Therefore, in using that phrase, you are only really reproducing what the Indian Finance Minister himself has said?—Himself has said.

13,854. (Sir Andrew Scoble.) In another connexion?—Well, I am giving one reason for the starving and he gave another.

13,855. Yes. Then you can scarcely say you are quoting him there?—I am not alleging that I am quoting him.

13,856. But that is your explanation, that you are quoting him, but in a different sense to which he used the words?—I am making use of facts which are admitted.

13,857. (Sir William Wedderburn.) These notes, I think, were not prepared specially for the Commission?—That is so.

13,858. They were prepared upon Sir James Westland's Budget, and therefore it is to a certain extent accidental that they come within the circle of reference to the present Commission?—Yes.

13,859. But you were not preparing the wording in view of the limitations of reference?—No, that is quite true. I do not mind saying that if I had been preparing it for the Commission, doubtless, I could have put it in a different form, and in some way, perhaps, have represented it differently. This was written as purely a criticism on Sir James Westland's Budget of 1895-96.

13,860. And as regards what I think has been said with regard to the expenditure being justifiable or otherwise, you do not in any way wish to infer that that expenditure may not be both useful and good in itself. You wish only to see that that expenditure is referred to its right financial heading; that is what your object is?—Entirely so.

13,861. And it may be, and probably is, useful and proper, but it has to be justified from another point of view?—Quite so. Obviously, any Government can spend a great deal more than it does on useful objects, but it all becomes a question of ways and means, how far they can give way to their desire to promote those useful objects.

13,862. I think that concludes your memorandum. You were present, I think, when Sir Henry Waterfield gave his evidence?—Part of the time; at any rate, while he gave his evidence on those tables which he had prepared.

13,863. He gave his evidence on certain tables that we have put in?—Yes.

13,864. Have you any remarks to make upon his evidence?—[No answer].

13,865. (Chairman) You are now going to make some remarks upon that memorandum which I think you circulated to the Commission, are you not?—[No answer].

13,866. (*Sir William Wedderburn.*) Not yet. First of all, Mr. Morgan-Browne would like to make one or two brief remarks with regard to Sir Henry Waterfield's evidence upon the memorandum, and his last evidence upon our memorandum when I examined him?—There was one point raised in paragraph 3 of the note on Sir Henry Waterfield's table, taken at the India Office on the 26th of June 1895, the date of the note was the 12th of August 1895. I think it was the Appendix 12, was it not?—Or 11. It follows Sir Henry Waterfield's tables.

13,867. (*Chairman.*) Yes, I have got Appendix 12, paper handed in by Sir William Wedderburn, note on Mr. Westland's Budget of 1894-95, is that it?—No, it is before that; I think it is the one before that.

13,868. No. 11, memorandum on Indian financial expenditure?—No, I think it was the one before that. This was a note on Sir Henry Waterfield's tables. It follows Sir Henry Waterfield's evidence.

13,869. This is it. Appendix No. 10, page 80, note on Sir Henry Waterfield's tables, dated India Office, 26th June; that is it?—And if you will turn to questions to Sir Henry Waterfield, 12,059 to 12,062, I think they are in reference to paragraph 3 of the note on Sir Henry Waterfield's tables, where it was pointed out that the division between Imperial and provincial expenditure was on the whole an economical one, but that it failed in this—that it encouraged to some extent expenditure by the provincial governments without weighting them with a corresponding increase in the cost of exchange, and Sir Henry Waterfield seemed to think that any possible increase in exchange which could fall upon them would be of very small amount as they had very little control over questions of pension and superannuation allowance, and that it was only in the Civil Service that much increase of exchange takes place. I would only suggest in that connexion this that as I understand that division, a certain proportion of the cost of officers of Government is thrown upon the provincial service. That, for instance—here I give an instance in connexion with the contract of the Government of Bengal—three-fourths of the cost of collecting the stamp revenue of Bengal was assigned to the provincial government. I believe that means that three-fourths, a certain proportion of the salaries of those officers—the proportion in connexion with their work of revenue collecting—is there thrown upon the provincial governments, and my suggestion would be—Why is not the proportion of superannuation allowance, of pension belonging to that proportion of salary, also thrown upon the provincial governments, not merely in regard to possible increases in the future, but right from the beginning, so that the provincial governments may have the proportion of exchange falling upon them, as in fact they now have in the matter of exchange compensation allowance, and that when there was a heavy fall in exchange the provincial governments would have to meet it, that is, before they could look to increasing any other expenditure? That would be my answer to what I wanted to suggest in answer to what Sir Henry Waterfield had said there.

13,870. (*Sir James Peile.*) They would have had to have had an increased allotment from Imperial funds to meet that?—Probably at the start that would have to be so; the benefit would be that in the future the Imperial Government would not have quite so heavy an account to reckon with in the variations in exchange.

13,871. (*Chairman.*) I see that Sir Henry Waterfield seems to think that if a change was made in that direction it would not be a material one. Do you agree to that statement of his, or do you think it would be material?—Well, I think I am taking it from rather a different point of view. I think Sir Henry Waterfield in that answer meant that if the actual increase of exchange was due to any increase of establishment from this date, that that would be a small amount; but I am suggesting that the exchange already existing on the existing establishment should be allotted more to the provincial governments, and that that would in the first instance be a serious amount I admit, and might come up on a revision of contract, but subsequently it would have the advantage of relieving the Imperial Government of a great deal of this cost of increase of exchange, and would compel the local governments to have the same regard to economy in the fall on exchange as is now forced upon the consideration of the Imperial Government.

13,872. When you say the revision of contract you mean the revision of contract between the Imperial Government and the provincial governments, which takes place periodically?—Yes.

13,873. (*Sir Ralph Knox*) But are the normal superannuation charges debited against the provincial governments now?—I believe not.

13,874. But you would throw them against the provincial governments, and also with the exchange compensation allowance?—The exchange compensation allowance is thrown upon them now—a proportion of it

13,875. I mean the charge arising from the depreciation of the rupee due to the payment of this superannuation; would you throw both the charge for superannuation and also the additional charge due to the fall of the rupee against the provincial governments?—A proportion of it; the same proportion of it as they are charged in the contract.

13,876. But neither as regards the superannuation charge nor the expense of the fall of the rupee are now at present charged against them?—I believe not.

13,877. (*Sir William Wedderburn.*) Since preparing these different memoranda you became aware that you were to become a witness before this Commission?—Yes.

13,878. And I think I suggested to you that you should put in a number of headings, points which you proposed to establish, and you did so after making a more extended examination of the figures; and I think these headings, which have been circulated to the Commission, are a result of an examination over a longer period than of 20 years?—That is so.

13,879. (*Chairman.*) May I ask is that memorandum based upon Sir Henry Waterfield's tables, and so far as it goes, upon Sir Henry Waterfield's evidence, or upon Sir James Westland's?—This was an entirely independent inquiry, if I may say so; it was not based upon either.

13,880. You did not take Sir Henry Waterfield's tables as the basis of your figures?—No.

13,881. They were your own figures?—These were my own figures, that is so. This was taken, this summary here, which I have made of the expenditure, explaining how I made it in the appendix, based largely on the net tables in Sir Henry Fowler's returns, is identical with the one for that year in this table, and all the other 19 years or 20 years have simply been carried out upon the same principle. They practically very nearly coincide with the net figures published in the return of Sir Henry Fowler.

13,882. Am I right in thinking that, assuming your basis, and without making you responsible for that basis, that you and Sir Henry Waterfield agree as to the figures?—Well, I do not know that I ought to go so far as that; I saw Sir Henry Waterfield several times; he did not formally agree then.

13,883. I only want to know whether there was any difference between you in the figures, assuming your basis?—I do not think there was, but I would not like to say.

13,884. I only asked you the question because I was aware that you had seen Sir Henry Waterfield?—Yes, I have seen him several times; I have never had any real disagreement with him about the figures.

13,885. That does not imply that he can accept your figures?—No, not at all; there has been no formal agreement whatever about the figures.

13,886. (*Sir William Wedderburn.*) Would you read what I might say is your matured proposition, at least the proposition from the further examination of these 20 years?—That during the last 20 years the increase of net expenditure upon the civil and military services, apart from exchange, has far exceeded any increase in the cost of these services caused by the fall in exchange; while the additional cost of exchange accruing under other heads of net expenditure has been more than met by decreased expenditure under these other heads. The following is a summary of the figures:—

	Rx.	Rx.
Increase in civil and military services -	13,150,000	
Add increase in cost of exchange, -	7,750,000	
	Total increase	20,900,000
Decrease in other expenditure -	8,600,000	
Deduct increase in cost of exchange -	6,600,000	
	Total decrease	2,000,000
Net total increase	Rx. 18,900,000	

13,887. (*Chairman*) That includes the total expenditure here in India and at home, I suppose?—That includes the total expenditure.

13,888. (*Sir James Peile*.) Sir Henry Waterfield merely puts his figures in a different order as I understand?—That is all it comes to; he has divided it between the Imperial and provincial.

13,889. I do not mean that quite. But in taking those figures that you have just given us, he has given us here, Table 23 of his tables, in which he gives the same sums in a different order?—Is that Table 2 of Sir Henry Waterfield's?

13,890. Table 33; just at the end of all his tables?—Oh, I see, that summary.

13,891. Ho made it expressly to reconcile, as it were, his figures and yours?—Yes, I see.

13,892. He gives the total increase in the 20 years, including exchange, 4,502, three noughts omitted?—Yes, that would be so.

13,893. And then he puts the whole of the exchange, 14,352, making a total of 18,894?—Yes, that would agree.

13,894. That total, of course, does not differ from the figures in all his tables?—No.

13,895. Although it is arrived at by a different arrangement which you cannot exactly compare?—Quite so.

13,896. But I understood from him that he does not differ from you at all?—I believe that that is so. As I say, we have had no formal agreement, but my own impression is that Sir Henry Waterfield does not dispute any of my figures.

13,897. It is merely a difference in the way of putting it. It seems to me a more reasonable thing to take the figures for every expenditure from the increase in the civil and military services, and to treat the exchange as quite a distinct thing, than to adopt your arrangement, but of course that is a matter of opinion?—My point was only to show that under some heads exchange had not been that burden or had been met under other heads. The increase of expenditure had given no chance of meeting it.

13,898. But the great point is that there is no essential difference in the figures between you and Sir Henry Waterfield?—Quite so.

13,899. (*Chairman*) That is, I think, the point that I put to you, that in the figures you and Sir Henry Waterfield are practically agreed?—Yes, I believe we are.

13,900. (*Sir Edward Hamilton*.) I do not quite follow. How do these two figures tally 7,750 and 7,600; I do not see how they are worked up. One is called the increased cost of exchange; they are both that—increase in cost of exchange. I do not see how they are worked up differently?—I have divided the cost of exchange.

13,901. It follows the same calculation as in your papers?—Quite so.

13,902. (*Sir William Wedderburn*.) Then the second proposition?—After taking 1884-85 as a model year and altogether excluding expenditure due to exchange, the increase in civil and military expenditure in 1895-96 over that in 1884-85 was more than double the increase in such expenditure in 1884-85 over that in 1875-76. The following is a summary of the facts:—From 1875-76 to 1884-85 there was an increase in total net expenditure (excluding exchange altogether) of Rx. 3,000,000; from 1884-85 to 1895-96 the increase is Rx. 1,550,000

The increase of Ex. 3,000,000 during the former period is made up of an increase of Ex. 4,200,000 under the heads of civil and military services (including collection of revenue) and a decrease of Ex. 1,200,000 under other heads of expenditure; while the increase of Ex. 1,550,000 during the more recent period is made up of an increase of Ex. 8,950,000 in civil and military expenditure and a decrease of Ex. 7,400,000 in other expenditure. I have prepared a chart just to show more clearly, perhaps, than the figures can convey, what I mean by the statement. This chart shows six lines. The black lines in each case indicate the total expenditure. The dotted lines indicate that expenditure, excluding exchange. The black lines give the expenditure year by year; the dotted lines only give it for three periods—the beginning of the 20 years, the middle year 1884-85, and the end. It will be seen that the total expenditure—the main purpose of it is to show the different rates of rise in the curves for the two periods, taking the first period ending with 1884-85 and the second period ending 1895-96.

13,903. (*Chairman.*) Perhaps, as there is only one copy, you could describe to the Commission what the results of the dotted line periods is?—Taking the total expenditure during the 20 years it went up from 46½ millions to 65½ millions.

13,904. But there was a variation, I think, there; that some years it rose to a higher point?—One year. In 1881, when there was the Afghan war, the expenditure rose very high temporarily, and then dropped, and then it went up again. There was a series of ups-and-downs, gradually rising. The greatest period of increase has been from 1891 to 1896.

13,905. Even though in the previous period the Afghan war expenditure is included?—Yes. In 1876 the expenditure was 46½ millions. In 1878 it was 52 millions, in 1879 it dropped to under 50 millions; and then it went up in 1881 to 56½ millions, the year of the Afghan war; then it dropped the next year to just over 50 millions, and it kept for those three years, 1882-3-4, at just over 50 millions.

13,906. Well, now comes in your first dotted line, does it not?—Yes.

13,907. Will you give the result of the dotted line?—The result of the dotted line is where the exchange was included, that in 1876 the expenditure was 45 millions; in 1884-85 it had gone up to 48 millions, and in 1895-96 it was still under 50 millions—it was 49½.

13,908. Will you put in that chart?—Yes [*Chart put in.*] Then comes the relation which the civil and military expenditure bears to the total expenditure, and here again I will take the dotted line, excluding exchange altogether. During the first period, from 1876 to 1885, the civil and military expenditure went up from 30½ millions to 33½ millions corresponding, more or less accurately, with the rise in the total expenditure from 45 millions to 48 millions. Then, in the second period, from 1884-85 to 1895-96, while the total expenditure, excluding exchange, was increasing from 48 millions to 49½ millions, only by 1½ millions, the civil and military expenditure was increasing from 33 millions to 40½ millions. That shows the difference in the two. [*Exhibiting chart.*] The curve of the total civil and military expenditure is a much steeper curve than that for the total expenditure during the last 10 years, and again the same can be shown in the military expenditure taken separately; there again the curve during the last period is much steeper than the curve for the total expenditure.

13,909. (*Sir Ralph Knoc.*) All your figures appear practically to be stated in the table which has been alluded to furnished by Sir Henry Waterfield. In Table 23 he says that between 1875-76 and 1884-85 there is an increase of 5,000,000, and between 1884-85 and 1895-96 there is an increase of 13,700,000, and comparing the original year 1875-76 with 1895-96, the increase as you have stated before was 18,900,000. It is brought out in that table completely. It omits the intervening years, but it takes the three periods, and I have been following it with your figures. It is precisely what you have stated?—Yes.

13,910. (*Mr. Mowbray*) I think all those figures are exactly the same as the figures in your Table 3 of this memorandum; the details you give there exactly correspond with those?—Those for 1895-96 would be the same the year 1895-96.

13,911. Yes, but the differences between these years which you have been referring to?—No; I think not.

13,912. If you look at your Table 3?—Table 3 in which?

13,913. In the memorandum on Indian financial expenditure, page 16?—Those are the same as—

13,914. Those are the same as the figures in Sir Henry Waterfield's Table 33?—Oh! doubtless. I think that was simply a copy of this; I think Sir Henry Waterfield printed it.

13,915. I understood he had worked it out on a different basis, but had arrived at the same conclusion?—No, I think not.

13,916. (*Chairman.*) They are the same figures, but you and he state them in rather a different form?—I think that is it.

13,917. I think the remarkable point in your statement, of the more recent period you would call it, is that this very heavy increase of very nearly 9,000,000 in civil and military expenditure is really reduced to a comparatively small sum by the very large decrease on other expenditure. Are there any remarks upon that which you would wish to place before the Commission?—Well, I have prepared a table. Is that dealing with the 20 years?

13,918. I am now dealing with the periods of which you are now speaking—of the 20 years—and you divide that 20 years into two periods?—Oh, yes.

13,919. On the first period you say that though there is a decrease of 3,000,000 Rx., that consists of 4,200,000 Rx. in the civil and military services compensated by a decrease of 1,200,000 Rx. under other heads?—Yes.

13,920. And then you come to what you call the more recent period, and state that the increase on civil and military services is 8,950,000 Rx.: while on the other hand there is a decrease of 7,400,000 Rx?—Yes.

13,921. That of course is a very notable decrease and attracts attention, and I wish to call your attention to it, in case you would like to make any remarks upon that very large increase?—I have tried to express it here by means of a chart showing the normal line in the middle, and showing lines going up for increase of expenditure, and lines going down for decrease of expenditure. All above the line is civil and military expenditure, and all below the line is the other expenditure of government, and there I have shown that the line of increase goes up almost at the same angle as the line of decrease goes down, as those figures would show. In addition to the angle line of increase there is a further increase for exchange, bringing, as a resultant of those two lines, a still sharper line of increase, showing the total increase in civil and military expenditure at 15,640,000 Rx. from that year 1884-85 to 1895-96. Then below the normal line there is the line of decrease in other expenditure, excluding exchange, brought up again by the increase in exchange, though still below the normal comes the line of decrease it is more than the increase due to exchange, and producing a resultant line of decrease about 2,000,000 Rx.—1,905,000 Rx. below the normal. That is the chart which shows that. [*Chart No. II. put in.*]

13,922. Now, I see from your table on the memorandum on Sir James Westland's Budget, on which the early part of your examination was based, that the other expenditure, which shows such a very large decrease, consists firstly of 1,600,000 Rx. on the debt?—Yes.

13,923. That is an economy, a repetition of which can hardly be expected in the future, can it?—Part of that economy is brought about by means which I confess I am not in a position to quite understand. There is an entry in the books due to the transactions with the companies, the amount of debt is credited to the railway companies at a certain rate of interest, regardless of the other rate of interest at which money may be raised. I am not intending to suggest in any way that the transaction is not a perfectly good and a very valuable transaction, but it is one I do not understand.

13,924. Naturally speaking, one is very much struck by the fact first of all that the increase in the civil and military expenditure is very largely in excess in the last period you point out compared with the increase in the previous period, the net effect, however, being that very much of the increase is very much reduced by a large decrease of other expenditure, and my question addressed to you rather pointed to this point. if the

increase in civil and military expenditure were to go on in the future at the rate of the recent increase, could we expect a corresponding decrease on other expenditure; and on looking down your Table 3 I see, for instance, that part of this very large increase is 1,600,000 Rx. on debt. Well, that is not an economy, a saving which we can look upon as renewable every seven years, is it?—I should say not.

13,925. I mean *prima facie*?—Yes; quite so.

13,926. Then come commercial services, 2,666,000 Rx. Have you any remark to make upon that. If you have not scheduled this we will drop it?—That, I should think, is likely to continue.

13,927. You think it is?—Because that is excluding exchange. The tendency, I think, would be for the commercial services to go on paying better and better every year.

13,928. And that you would attribute to the railways, for instance?—Yes; chiefly the railways.

13,929. Bringing in a considerable annual sum to the Government?—The railway enterprise has always been a loss because of the exchange, but when you take away the exchange the actual receipts of the railways in India will tend to increase largely, and will go on always forming an increasing asset. For instance, if by any change exchange should ever recover, they would have a very large sum at their disposal from the net revenue from their railways.

13,930. One other—that special defence item which you said, if you were remaking the tables, I understood you to say, you would class with army services and military works. That charge, in that form, has ceased now, has it not?—That has ceased. It was because it was departmental that made me put it here; it was not normal.

13,931. Looking at that large decrease of 7,398,000 Rx. on other services, at all events, you would consider *prima facie* that the economy, if you like to call it so, on the commercial services would continue, but that we could hardly reckon on a similar decrease of the debt or a similar decrease on special defences, because that item has fallen out?—Quite so; we could not reckon with advantage to the finances on a continuance of this large deficit, which changes a provincial surplus to a deficit; that is not an advantage.

13,932. Therefore in the future the conclusion would be that one must expect that any decrease upon other expenditure, as you call it, would be very much reduced to the figures shown upon what you call the recent period?—Quite so; that can be partly shown by a table in the memorandum, a similar table dealing with the periods from 1884–85 to 1895–96, a similar period, because the same division was made. You see what happened there.

13,933. What page is that?—Page 18. There there was only a decrease of 1,189,000 Rx. on those two branches of revenue; page 18 of the memorandum on Indian financial expenditure. I think it answers in one way, as showing over another series of years the effect. It is page 5.

13,934. Belonging to Appendix No. 10?—Appendix No. 11, Table No. 5. Tables 5 and 6 show what happened respectively in those two periods with regard to this other expenditure.

13,935. It shows there that the service of the continuing economy, if I might so call it, is the commercial service?—Quite so.

13,936. (*Mr. Courtney.*) What are the totals of the civil and military expenditure and the other expenditure at the commencement of the second period?—At the second period the civil and military expenditure, including the cost of the collection of revenue, came to 42½ millions. The total of civil and military expenditure including exchange or excluding exchange?

13,937. Excluding?—Excluding exchange 42½ millions.

13,938. And the other expenditure?—The other would be 5½ millions net; it is all net expenditure.

13,939. No, it must be more than that, because you have effected a greater reduction?—That is all it is, 5½ millions.

13,940. At the second period?—Yes, in 1884–85.

13,941. But you say you have saved 7,000,000 Rx?—Yes, but then this is it: in 1884–85 the civil and

military expenditure, including cost of collection of revenue, was 42½ millions; other expenditure was 5½ millions. In 1895-96 the civil and military expenditure, including cost of collection of revenue, was 51½ millions, and the other expenditure was minus 2,000,000 Rx. That is where the difference comes in. I ought to say this: there I have only given civil and military expenditure in the ordinary way.

13,942. That will serve my purpose. Do you not think in that case you were wrong in stating that the same angles could be shown of increase and decrease?
—No.

13,943. Have you not to bear in mind not only the amount of the addition, but the position from which it arises?—No; I have shown in both cases that there was a decrease of nearly 7,000,000 Rx. below the normal; that is to say, it varies from the plus side to the minus side of the line, but it was a total expressible in the same way by a single curve as the total which was above the normal. The one was about 8,000,000 Rx. and the other was about 9,000,000 Rx., so the angles were about the same.

13,944. Surely in a true angle representative of the rate of increase which you are dealing with you ought to consider the basis from which you start?—Yes, I have; the basis is the normal in each case, and, therefore, the same whatever the totals may be; it is the normal I was starting from, not from any actual total.

13,945. (*Sir William Wedderburn*) With reference to the Chairman's question as regards the future prospect of these same savings in Table 3, which is change from provincial surplus to deficit, that represented the Imperial Government drawing from the balances of the local governments?—Oh, not only that, it also represented the fact that the provincial governments had to draw on their own past surpluses, that they were spending really more than would appear in the Imperial accounts, and that they made up for the extra amount by drawing on their own past resources.

13,946. Then Proposition 3?—That since 1884-85 the effect of the heavy fall in exchange has been aggravated by a large increase in the sterling expenditure of the Government of India, and by other increase not automatic in its character.

	Rx.
Cost of exchange on increase in sterling expenditure (1,900,000L.)	1,600,000
Cost of exchange compensation allowance (1895-96)	1,400,000
	Rx. 3,000,000

13,947. (*Sir James Peile*) Do you mean that the sterling expenditure was not automatic in its character?
—Generally speaking I should say it was not.

13,948. We have got a return of it, have we not, in Appendix No 44. It was put in by Sir Henry Waterfield, page 258 of the second volume?—843,000 Rx. of it was made up on the commercial services which would probably be chiefly railway—increased railway debt.

13,949. Well, there is 131,500 Rx. furlough pay, and superannuation payments at fixed minimum rates. That of course was automatic?—That of course would be automatic; I presume that would be automatic.

13,950. Then there is the item you gave now, railway companies, 834,654L., which is much the largest item?
—Yes.

13,951. Making up the 1,900,000 Rx. You would not expect the Government of India not to develop its railway policy, would you, although you cannot call it strictly automatic?—Again, I do not want to criticise this expenditure; I am only showing, and especially with regard to railways, that if it were necessary, and as part of their commercial enterprise, to being in the large receipts in India, it may be very desirable expenditure, but it is increased expenditure deliberately incurred as such, and not increase due to the fall in exchange. It is the same point I am making. I am not criticising the expenditure or saying that it may not all be desirable, but that it is not increase due to exchange.

13,952. (*Mr. Mowbray*) That figure, 1,600,000 Rx. cost of exchange, I suppose, is the difference between the rupee at 10 rupees to the £.?—And 18½.

13,953. And the rate of the Budget of 1896?—That was 18½; it has now fallen very much, and of course it is now a good deal less.

13,954. I was going to ask you whether you had calculated at all what the difference would have been between the time at which this sterling expenditure of 1,900,000l. that you have referred to was incurred and the rate in 1896?—No; it would, of course, reduce it.

13,955. You cannot tell me how much of that 1,600,000 rupees, a difference in exchange between an imaginary figure of 10 rupees to the £1. and the actual rate of 1896, and how much is due to an actual fall between the rate at which this sum was borrowed or this liability was incurred and the rate of 1896?—No, I could not tell you that, without a very long calculation.

13,956. A portion of it would be due to the fall between 10 rupees to the pound and the rate of the time at which liability was incurred?—Certainly.

13,957. And a further portion would be due to the fall which has occurred since that liability was incurred?—Certainly.

13,958. But do you draw in your own mind any distinction between the responsibility of the Indian Government for a fall as a matter of account between the difference in exchange which occurred prior to the incurring of this liability. I am referring to this liability of 1,900,000l. on your figures here, and the fall which has occurred since?—No, where it is not automatic I should not, because I would suggest that where a Government borrows sterling at a time of falling exchange, it thereby incurs the full liability which the total fall of exchange might ultimately impose upon it, and it is a point which it ought very seriously to consider, and therefore would operate to prevent it borrowing sterling in time of heavy falls of exchange.

13,959. I quite understand of course that you would say that when the Government was borrowing after a certain amount of fall in the exchange had occurred that they had no right to complain of the fall of exchange, but I understand you to go further than that and say that they ought not to complain of a fall in exchange which has occurred since these liabilities have been incurred?—Yes, I do, because it was notorious that the exchange was falling at the time.

13,960. Yes?—I would not carry that right back so far as to carry that back to the time when exchange first began to fall, but when once the downward trend of exchange was established, as it was by the time of 1884-85, I would then suggest that any increase of sterling charges, that if the government did increase them, they did so at the full risk of the total fall that exchange might go down to.

13,961. (*Chairman.*) They ought to have borne that in mind as part of the cost that was incurred?—Entirely.

13,962. (*Sir William Wedderburn*) Then Proposition 4?—That from 1875-76 to 1884-85 the military expenditure of the Government of India (excluding exchange altogether) was almost stationary, leaving out the amount due then and the Afghan War when it came, that is to say, the ordinary military expenditure, but that since 1884-85 (again excluding exchange in any shape or form) there has been an increase of nearly Rs. 4,500,000 per annum.

13,963. (*Chairman.*) When you say 4,500,000 per annum at the close of the time, do you mean that the military expenditure was higher by 4,500,000 Rs. than it was at the commencement?—Yes.

13,964. (*Sir William Wedderburn.*) Then Proposition 5?—That during the 12 years 1884-85 to 1895-96 over and above a large increase in ordinary military expenditure (i.e., army and military works) and excluding all charges on account of Upper Burma, and, the cost of frontier railways, special and extraordinary expenditure has been incurred to the amount of nearly Rs. 12,000,000.

13,965. (*Sir James Peile*) That is the aggregate of 12 years, is it not?—That is the aggregate of 12 years. It is shown in that note on Sir Henry Waterfield's table at page 9. Perhaps I might put in this other chart which would show the point about exchange, showing how the exchange is made up, annual increase, increase of exchange compensation allowance, and the increase in sterling charges, also showing the incidence of it on the two different portions of the revenue.

13,966. (*Sir William Wedderburn.*) Then Proposition No 6?—That, generally speaking, and whatever may be the explanation, while the fall in exchange has been a disturbing factor of considerable magnitude, increased expenditure on the civil and military services, apart from exchange, has been a more important source of financial difficulty.

13,967. (*Chairman.*) Vide exhibits A. B. C. D.—Those were these different memorandums and notes which were put in.

13,968 (*Sir William Wedderburn.*) With reference to the seventh proposition, I think that the Secretary of State, when the Indian Budget was under debate, specially said that the question was one for the Royal Commission?—That is my recollection.

13,969. I think that I moved an amendment alleging that the statements with regard to debt were misleading, and the answer of the Secretary of State, I think, was that that was a question that could be well dealt with by the Commission, and I think it is with reference to that that you have looked into that point and this proposition is framed?—Yes.

13,970. Will you read Proposition 7?—“That some of the statements in the accounts of the Government of India relating to debt are misleading, that the set-off against ordinary debt of debt transferred to public works is improperly carried out in these accounts owing to the mixing of gold and silver debt without taking into account the varying rate of exchange between the pound and the rupee; and that, therefore, the Government of India are wrong in stating that the ordinary debt, less that transferred to public works, has decreased since 1884-85 by about Rs. 9,000,000. It has, in fact, increased by nearly Rs. 3,000,000.”

13,971. (*Chairman.*) Have you any statement drawn out by which you endeavour to establish that fact?—Yes. In this criticism in Sir William Wedderburn's note on Sir Henry Waterfield's tables at pages 19 and 20; the criticism on Table 20 will give this, paragraphs 33 and 34; and since then I have found out what I thought would be a perfectly specific case to show the Commission exactly what I mean.

13,972. Which is the table in that note to which you are referring, the memorandum on Indian financial expenditure, is it not?—No; it is the note on Sir Henry Waterfield's tables, put in by Sir William Wedderburn, dated 12th of August 1895; it is in Appendix 10, I think.

13,973. And which table is it?—It is paragraphs 33 and 34, criticising Table 20 of Sir Henry Waterfield. I think Sir Henry Waterfield, in Question 12,238 made some reference to this, and said they were generally careful to express what the result of adding rupees and pounds was, and I have here the Finance and Revenue Accounts of the Government of India for 1893-94, page 195, in which they show the summary of capital expenditure on railways and irrigation works, and in which we have here a column, 22, which is an addition of columns 20 and 21; column 20 being an Rs., and column 21 being an £, and column 22 being expressed as tens of rupees.

13,974. And are they added together?—They are added together, so that that is one of the points that I mean where it would be misleading.

13,975. And I think I gathered from Sir Henry Waterfield's answer to Question 12,238, to which you have been referring, that he admits it ought not to be done?—He admits it ought not to be done.

13,976. And here it is done?—Yes.

13,977. (*Sir James Peile*) I see that in Table 20, the last three columns, he has given no denomination, neither pounds nor rupees?—He has not, no; but still it is impossible to add them up without putting some denomination to it. The result of doing this is this, that year by year there is shown in this account, which is published to Parliament and to the public, a continual reduction in the ordinary debt of India, and brought about, as I contend, by this illegitimate means. First of all, taking these accounts of the Government of India 1893-94, page 219, which is an account showing the additions to and discharges of permanent debt during the year ended 31st March 1894, and the amounts of the permanent debt at the commencement and the close of the year, and then follows a classification of the debt, permanent debt, exclusive of that

for railways and irrigation. First of all, they add up the two debts, the rupee and the sterling debt, without putting the denomination, it is true, but adding the two up; that is to say, the total debt in India of 105½ million Rx., the total debt in England bearing interest of 108 millions sterling; total debt without any denomination either of pounds or Rx., 213,659,000.

13,978. That, you would contend, is misleading?—That distinctly is misleading, and for this further reason. They then proceed to classify that debt, and the classification is as follows:—Permanent debt, exclusive of that for railways and irrigation; that is to say, the permanent debt for ordinary purposes, 69 millions, again without any denomination; and then this heading here, Rx., at the top of this whole column, can be taken to cover all that column; it may be so, but I do not know. Then for railways, 114,701,000, and for irrigation, 29,679,000. Those figures, that classification is then put into the statistical abstract year by year.

13,979. (*Mr. Courtney.*) And those make up the 213 millions?—Those make up the 213 millions.

13,980. (*Chairman.*) The 213 millions is the addition of those two figures?—Of 105 plus 108 millions; it is an exact addition of those two figures.

13,981. So we know that this classification mixes up the two denominations?—This classification mixes up the two denominations.

13,982. Where do you carry it in the abstract?—Page 130, abstract for 1893-94. Therefore, year by year, this is done. You will see from 1883-84 that regular reduction of debt for "Other purposes," the final column on the page shows a gradual reduction of debt for "Other purposes" from 92,902,903 in 1883-84 to 69,279,331 in 1893-94. That is arrived at by this process—the debt for ordinary purposes being the total amount of debt remaining after that for railways and irrigation has been subtracted from the total of 213 millions. The total of the railway and irrigation debt is then arrived at at page 195 of this account by, among other things, the addition of those two columns together, 20 and 21.

13,983. The heading of this account, to which Mr. Morgan-Browne has referred in the Statistical Abstract to which these figures are carried, is headed in tens of rupees and sterling mixed together?—And, as I say, in the accounts of the Government of India this is produced from this Table No. 69, page 195, in which, as I pointed out before, columns 20 and 21 being in, respectively, tens of rupees and sterling, were added up in column 22 to represent tens of rupees pure and simple. The result of this is pointed out in this criticism on page 19 and 20 of Appendix 10 in the appendices to the first report. If I may just read there the gist of it to put it clearly, I think, before the Commission.

13,984. What paragraph?—Paragraph 23, I have said: "With regard to the debt, Sir Henry Waterfield's table shows a large reduction of the ordinary debt during the last ten years." That would conform with the table in the statistical abstract. "The increase of debt in India since end of financial year 1884-85, Rx. 11,161,894; increase in England, 44,734,738l.; Total, Rx. 55,896,632.

13,985. Are you quite correct; you put against that 55,896,632 Rx.?—Yes, I am afraid that must be wrong; if Sir Henry Waterfield has not got it that must be a mistake; I ought not to have done that; I was not thinking.

13,986. Still the fact remains, I suppose, that you would impress upon us that the ordinary reader would put an interpretation upon it, namely, that they were of a like denomination?—And I would go so far as to say that even without it it must have meant that by the ordinary rules of arithmetic, because Sir Henry Waterfield proceeded to subtract from it a total which was Rx., and you cannot subtract anything from Rx. but Rx., therefore, he implied that the total 55 millions was necessarily Rx. Then he showed that the debt transferred to public works was Rx. 65,392,589, and that the net decrease in the ordinary debt was therefore 9½ millions Rx. Then it is pointed out here that "the fallacy consists of taking the increase of 44,734,738l. in sterling debt as only equivalent to an increase of 44,734,738 Rx., and then setting off against it what is largely rupee expenditure on public works. The following table shows the equivalent in Rx. of this 44,734,000l."—this table shows that that 44,734,000l. really represents 65,269,000 Rx.

13,987. (*Sir Andrew Scoble.*) At what rate of exchange?—At the different rates of exchange for each year in which the different portions of the total sum were raised. “Again, the sum of 65,392,589 Rx. transferred to public works contains a sum of 19,943,152L. treated as equivalent to 19,943,152 Rx. besides a large amount of sterling expenditure duly converted into Rx. at the current rate of exchange,” because there would be alterations to make in both sides of the account, both in favour of the Government of India’s contention and against it, in the matter of setting off this sum of 9,495,957 Rx.

13,988. And all your calculation would be vitiated if you took the present rate of exchange, would it not? Supposing the Government of India wanted to pay off now at the rate of exchange, all your calculation would be vitiated, would it not?—No, because the rate of exchange is made out for each year when the transaction is made and when the expenditure was made, it would remain exactly the same.

13,989. Supposing it were to pay it off now and raise the money at the current rate of exchange?—To pay off which?

13,990. The silver and the gold debt; taking the actual indebtedness of the Government you ought to take the rate of the day, ought you not?

13,991. (*Chairman.*) At what rate could they pay off at the present moment, at the present rate of exchange? That is your meaning, Sir Andrew, is it not?—They would have to pay off the sterling debt at the rate of the day.

13,992. (*Sir Andrew Scoble.*) All these calculations are simply arithmetic exertations, and have really no practical bearing on the government of India; is not that so?—Not at all, because those were made for each year. If in 1884–85 I borrowed a pound and got for it 15 rupees in India, and spent that 15 rupees, and I am going to pay off, I have to pay off 15 rupees in India, and that figures as 10 rupees in India. If it was spent in England on the other hand it still figures as 1L. of debt, and, of course, if I pay it off I have to pay off 1L. in India 15 rupees—I have spent. This is only brought into account when it has actually been expended in public works, and is represented by no longer a fictitious amount of money, but is represented by an equivalent amount of work done.

13,993. (*Mr. Courtney.*) Is the point where the thing was spent and not in what money you have to repay it?—The point would be, I think, that what you would have to repay would be the amount actually expended at the time. If I spend 1L. in England I have always got to pay back 1L. of debt.

13,994. If you borrowed 10L. in England and spent it in India, and at the time you borrowed you got 150 rupees for the 10L., if you have to repay that 10L. in England, by the time you have to pay it you have to pay 200 rupees for the 10L.?—Yes, but under this calculation that 10L. would never have come into debt, it would remain in England.

13,995. Both process is wrong, but yours is less formidably wrong of the two, I see; the other is quite wrong, but it is also wrong on your part, in estimating the increase or otherwise of the indebtedness of India, to take into account what might have been the equivalent of rupees to the loan raised in sterling at the time the loan was raised, and then taking into this account its equivalent now?—I think I misunderstood a little. I did not mean that all the sterling debt in England, which is spent on debentures here—all this sterling debt here—could be dealt with in this way. I am only saying that where it comes to a question of setting off the debt raised for the purposes of public works. If you want to do that at all in this country you must reduce your sterling debt and your rupee debt to a common denomination. I am not suggesting that it is necessary to make this set-off; I am only saying that if you make it, you must do it with equivalent factors. I do not say that it is necessary to make it; I am not trying to defend the setting off.

13,996. (*Sir Andrew Scoble.*) But at all events, when Sir Henry Waterfield’s tables take tens of rupees as the equivalent of a sovereign, and you take a certain number of rupees as equivalent to a sovereign for the purposes of your calculation, does it not come to very much the same sort of error; it is only a question of degree; it is the same wrong in the two descriptions of error?—No, I think for this reason. Suppose

the Government of India raised two million pounds in England, there are several courses open to them. One course, probably a very common one, is to reduce for the year the drawings of the Secretary of State, and that sets free not merely two million R. in their hands, but the amount they would have to pay to remit that money to England—it may be three million R. Then they can take that three million R. either to increase their borrowings, or they can employ it as expenditure, saving their borrowing in India for famine insurance works or any other works they may want to make. Therefore, I say, if you are to set-off that work you have to set-off that three millions, and not two millions.

13,977. (*Mr. Courtney.*) But if your object is to inquire how far the indebtedness of India has increased or diminished you must make that calculation in rupees wholly or in pounds wholly at the moment you have in contemplation—the present moment?—Certainly, I should say so.

13,998. And conform to the exchange of the day in making that calculation?—Quite so.

13,999. (*Chairman.*) Is there any proper way of stating it, and can we get out of this method of statement. If you are making an estimate for any practical purposes the obligation of the Government of India in debt is that it owes so many rupees in India?—Yes.

14,000. I see that in 1883-84 she owed in rupees in India 90,688,766 R. and in 1893-94, 102,937,552 R. I am taking the total without making deductions for irrigation and so forth. That represents an increase of 12 millions in the denomination of rupees, in addition to which amount she owed in England in 1883-84 68,585,694 and at the end of that period 106,683,767, being an increase of 38 millions?—Yes.

14,001. Must you not always state the thing in that way if you are measuring the indebtedness?—Yes, I think you are absolutely bound to keep them entirely distinct. I do not think you can set off, but I think if you are going to make any calculation about the productiveness of public works, and you have got sterling debt into it you must reduce it to the chief denomination.

14,002. You feel bound to call attention to this because the Government of India have made a statement based upon this muddle of the two metals showing a decrease of debt?—Yes.

14,003. And that leads you to this statement, that instead of a decrease, as they point out, there has been a small increase, and for that reason, it is an important distinction?—I think so.

14,004. Do you know at all how these figures would come out if you kept them separate—if you stated the obligation in sterling and the obligation in rupees—and whether there would be an increase or decrease?—I take it that if one could have a proper inquiry into the amount of debt there would be found to be an actual increase in the ordinary debt.

14,005. It would be quite possible to take those figures on which Sir Henry Waterfield arrives at nine millions decrease, and on which you arrive in round figures at three millions increase—it would be quite possible to take those figures according to what the obligation consists of, either in sterling or in rupees, and then you could show the actual facts, whether the Government at the end of the time owed a greater or less sum, either in sterling or in rupees?—I think they ought to be separated; you could not arrive at any conclusion bringing them together.

14,006. It would not be difficult to state it?—I should not think so.

14,007. (*Mr. Courtney.*) The real difficulty would be to ascertain the value of the set-off against that debt?—Yes, that would be the difficulty.

14,008. (*Sir William Wedderburn.*) I understand that you are aware that these figures, facts, and allegations have been formally brought to the notice of the Secretary of State for India, and he has had them before him for a considerable time?—Yes.

14,009. And do you claim that if these facts and figures are not impugned you have established the conclusions—the five conclusions which are stated in Memorandum No. 2, and seven conclusions in the headings which you have now put in?—Yes.

14,010. (*Chairman.*) I wanted to ask you one question. In the memorandum of Sir Henry Waterfield's, which formed the basis of the report of your examination,

paragraph, I think, in which it is stated that the increase of taxation is reckoned at eight millions—1884-85, that the new taxation proposed in 1888, the new import duties, account for about three millions of the total revenue of eight millions, leaving five millions in 1888. What I wanted to ask you was, have you considered or have you made any calculation as to what the increase of taxation is that has been estimated in the last period?—Yes.

14,011. There is some difference of opinion about it, is there not?—I thought not. I think that my figures are rather under Sir Henry Waterfield's tables—that is, since 1884-85 to 1895-96. No; the figures are practically in exact agreement—that is, to 1894-95, paragraph 6 of Appendix 10. Since 1884-85 to 1894-95 the increase in revenue due to increase of taxation was 5½ million Rs., and I think that Sir Henry Waterfield in some of his answers estimated it at 6½ millions to 1895-96.

14,012. In reference to that, would you look at Answer 12,073; I think that that is the answer you refer to. I think there that Sir Henry Waterfield takes it at 7½ crores?—Yes, for 1895-96 he gives it at 7½ crores.

14,013. And you have put it at less?—I have put it at 5½ for 1894-95. He gives it for 1894-95 at 6½—6,474,000; but he divides it amongst the share—which is Imperial 5,494,000 and provincial one crore.

14,014. Then his figures for the Imperial would very nearly correspond with yours?—I think so. If anything it is a little over; mine is an understatement.

14,015. There is only one question I want to ask on that. Supposing we put the case that the increase of taxation has been 5½, and the military and civil expenditure has increased during the years by 8,952,000; therefore the increase of taxation really has little more than made one half the increase?—That would be so. This increase of taxation is for 1894-95, and in 1895-96 another million came in from the Customs duties—the cotton duties; really this would be 6½ millions. My table here would be 6½ millions.

14,016. Therefore, while the increase of military and civil expenditure has been 9 millions, taxation has been put on for about 6½?—About that; yes.

14,017. (*Sir Saïph Khan.*) As I understand it, however, the main conclusion established by you is that if all the expenditure arising from the fall in the rupee be omitted from the accounts, that total expenditure would stand at an amount less by the sum of 11,156,000?—The total expenditure would be less by 11 millions—you mean the total expenditure in anyway due to exchange amounts to 11 millions.

14,018. I say that if that be omitted the amount would be less by that sum?—Oh, yes, yes. If there was no expenditure in exchange, of course there would be a great deal of difference in the expenditure of the Government of India.

14,019. By the sum of 11,156,000?—That would be about the increase. It would be less now because there has been only two millions—only a difference of two millions—because of the considerable rise in exchange which has latterly taken place.

14,020. But upon these figures you have put before us that is what it would have been?—Upon these figures, yes.

The witness withdrew.

Adjourned till Wednesday next at 11 a.m.

Confidential.

INDIAN EXPENDITURE
COMMISSION.

At the India Office, S.W.

Forty-third Day.

Monday, 12th April, 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING.)

The Right Hon. LEONARD COURTNEY, M.P.
SIR WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal SIR DONALD STEWART, Bart., G.C.B.,
G.C.S.I.
SIR JAMES PEILE, K.C.S.I.
SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Mr. GOPAL KRISHNA GOKHALE called in and examined.

17,824. (*Chairman.*) The Commission is very glad to have this opportunity of obtaining your opinion on questions connected with the administration of the Government in India. Would you tell us the subjects to which you have devoted your attention, and the employment which you have held in India?—I am honorary secretary of the Deccan Sabha, an Association established in Poona for promoting under British rule the political interests of the Indian people. For seven years I was honorary secretary of the Poona Sarvajank Sabha, another political association in Poona of a similar character, and honorary editor of its quarterly journal, a magazine dealing principally with questions of Indian finance and Indian administration. I am, besides, a member of the Council of the Bombay Presidency Association, on whose behalf my friend Mr. Wacha has given evidence before this Commission. For four years I was one of the secretaries of the Bombay Provincial Conference. I was also a secretary of the 11th Indian National Congress that met in Poona in 1895. I was for four years one of the editors of the *Sudharak* or *Reformer*, an Anglo-Marathi weekly of Poona. Lastly, I belong to a body of men in Poona who have pledged 20 years of their life to the work of education, and am Professor of History and Political Economy in Fergusson College.

17,825. How would you like to divide your evidence?—In accordance with the plan adopted by the Commission, I will divide my evidence into three portions, the Machinery of Control, the Progress of Expenditure, and the Apportionment of charges between England and India.

17,826. Therefore, we will take first of all the machinery of control, and, perhaps, you would give us your views upon that subject?—The question of the machinery of constitutional control is, in my opinion, a question of the highest importance. I may state at the outset that the position of India, so far as the administration and management of her expenditure is concerned, is somewhat exceptional. In the United Kingdom and the Colonies, public expenditure is administered under the control of the taxpayers, and, therefore, presumably solely

in the interests of the taxpayers. In India, however, other interests are often deemed to be quite of equal importance, and sometimes indeed they are allowed to take precedence of the interests of the Indian people. Thus we have, first of all, the standing claims of the interests of British supremacy, entailing a vast amount of expenditure, the benefit of which goes to others than the taxpayers of the country. The large European Army maintained on a war footing in times of peace, the practical monopoly of nearly all the higher offices in the Civil Services by Europeans, and the entire monopoly of such offices in the Native Army illustrate what I mean. I do not deny that this supremacy in itself has been a great advantage to India, but what I mean is that the price that is exacted for this advantage is beyond all proportion too high. We next have the interests of the extension of British dominion in the East. Large sums have been from time to time spent in the past for this purpose out of the Indian Exchequer—in many instances in spite of the protests of the Indian Government—and if things continue as at present, this misapplication of India's money is not likely to stop. All expenditure incurred in connexion with the Afghan and Burmese wars, the extension of the Northern and North-Western frontiers, and the utilisation of Indian troops for Imperial purposes is expenditure of this description. Then there are the interests of the European Civil and Military Services in India. The extravagant privileges conceded to Staff Corps officers in 1866 have, it is now admitted on all hands, imposed, and improperly imposed, a heavy charge on the Indian revenues. The reorganisation of the Public Works Department in 1885 may be cited as another illustration. The Finance Committee of 1886, appointed by Lord Dufferin's Government, consisting of men like Sir Charles Elliott, late Lieutenant-Governor of Bengal, Mr. Justice Cunningham, Sir W. W. Hunter, Mr. (now Sir James) Westland, Mr. Justice Ranade, and others, thus expressed themselves on this subject: "The reorganisation of the (Public Works) Department was undertaken in consequence of an agitation on the part of the European Civil Engineers employed in it, which was conducted in a manner likely in our opinion to have a bad effect on discipline and therefore deserving of the disapproval of Government. It seems to us to have violated the orders of Government on the subject of combinations by its servants. Such an agitation would not have been permitted in any other department and should not again be allowed. The object of the reorganisation was to improve the position of the officers of the department generally, and in particular to remove the block of promotion, which had arisen from the excessive number of recruits obtained from Cooper's Hill College in the earlier years of that institution. During the continuance of the discussion which we have summarised, great attention was given to the grievances of the officers of the department, but a careful consideration of the whole subject leads us to doubt whether the measures sanctioned were altogether suitable, either in kind or in respect of the classes to which they were applied. They mostly consisted of increments of pay to the Executives of the third and fourth grade, and to the Assistant Engineers of the first and second grades, none of which classes of officers were at the time, so far as we understand the case, in particular need of special assistance, and of the grant of greatly improved pensions to all officers of both classes, and they were made perpetual in their application." The concession made in 1890 to uncovenanted civil servants, whose pensions were fixed in rupees, that these pensions would be converted into sterling at the rate of 1s. 9d. to the rupee, and the grant of exchange compensation allowance to all non-domiciled European and Eurasian employes of Government indiscriminately are more recent instances. Lastly the interests of British commerce and of British commercial and moneyed classes often prevail over the interests of the Indian taxpayers. I might have mentioned the abolition of import duties during the administrations of Lord Lytton and Lord Ripon, as also the tariff legislation of last year as instances. But they do not come under expenditure and may therefore possibly be regarded as irrelevant. But the wasteful nature of many railway contracts, the extraordinary help given to the Orissa Company, the Madras Irrigation Company, and such other bodies of English investors, the vigour with which the construction of railways is being pushed on, programme following programme almost in breathless succession, in spite of the protest of the Finance Member that the finances of the

country now needed a respite in that direction, the conquest and annexation of Burmah, practically at the bidding of a powerful English trading company; these are instances which are not open to the same objection. This frequent subordination of the interests of the Indian taxpayers to these other interests makes it all the more imperative that the machinery of constitutional control should provide adequate safeguards for a just and economical administration of the Indian expenditure, and yet, I fear, nowhere are the safeguards more illusory than in our case.

17,827. You say there that other interests are often allowed to take precedence of the interests of the Indian people. May it not be said, on the other side, that the measures which you name are not taken in the interest of a class, but that they are undertaken in the interest of good government in India?—It all depends on what is meant by good government; our view is that these concessions are more in the interests of particular classes than of the Indian people.

17,828. I want to bring before you what would be the counter-statement, namely that the Indian Government, which is responsible for good government in India, has considered a number of these measures to be necessary for good government in India, and therefore this *per contra* argument should be borne in mind, should it not?—Oh, I know that, but it may also be remembered that responsible officers of Government itself after a time condemn many of the steps taken previously; for instance, the members of the Finance Committee condemned what the Government had done only five or six years before; the Government themselves have admitted that in the matter of the Staff Corps officers they made a great mistake. Then there is another thing also that no one expects the Government to openly acknowledge, namely, that these measures are intended in the interests of the services; nobody ever could expect that. Of course, whenever they are adopted, they are adopted, ostensibly in the interests of good government; but the Indian people cannot help feeling that they are really adopted in the interests of certain classes. I am putting forward, of course, the view of the Indian people; I know that there is that view on the other side, which Government puts forward occasionally.

17,829. (*Sir Andrew Scoble.*) You do not profess to speak on behalf of the whole of the Indian people, do you?—Well, I profess to speak on behalf of the Deccan Sabha in the first instance; but, judging from the resolutions of the Congress, and the petitions which several other political bodies have from time to time addressed to the Government on the subject, I claim the views of the Congress party are the same.

17,830. (*Chairman.*) You speak of the large expenditure which has been laid out in the interests of the extension of British dominion in the East. On the other side, would not the Indian Government say that, according to the best of their knowledge and experience, that expenditure was necessary for the maintenance of peace and good government in India?—Yes; but in several cases the expenditure was forced upon India in spite of the protests of the Indian Government. The Afghan War of 1879, for instance, was ordered practically by Lord Beaconsfield from home. Lord Northbrook resigned previously rather than send a Consul to Cabul. In the same manner the first Afghan War was forced by the Board of Control on the Indian Government against the wishes of the Indian Government.

17,831. The point I wish to bring to your attention is this, namely, that in stating what you consider to be the opinion of the Indian people you state quite fairly one side of the question. On the other side, we ought to bear in mind that the Government which was responsible did think those measures were necessary in the interests of good government?—Of course, I do not dispute that.

17,832. And, therefore, there is something to be said upon the other side; without holding that that is a complete answer, I bring before you the fact that there are two sides to the question?—Yes.

17,833. I think you notice in one or two passages of your statement, a number of what appear to you to be errors on the part of the Indian Government. You speak of the wasteful nature of railway contracts; the extraordinary help given to certain irrigation companies, the grants made by way of compensation allowance, and so forth. Well, I believe in each of those cases the Indian Government have arguments which it would oppose to your view that these were all cases of wasteful expenditure; but even granting for the moment that they were so, is it not the case that all Governments make mistakes; and supposing that India was entirely free from British domination, do

you not think that they would be liable to and would commit mistakes of the same kind?—I do not question the motives of the Indian Government; I do not even say that no other Government ever commits mistakes in that way. All I say is that, if there had been better control, those mistakes would have been possibly minimised, if not absolutely avoided; my point is that.

17,834. Then, next, would you give us your views on the machinery as it exists at present?—The spending authorities in the matter of Indian expenditure are the Provincial Governments, the Government of India, and the Secretary of State in Council (to which we must also add the Secretary of State in the Secret Department).

17,835. Would you explain what you mean by the Secretary of State in the Secret Department?—The Secretary of State in the Secret Department might send out orders to the Government of India without the knowledge of his Council, and these orders might ultimately entail very large expenditure; therefore, practically, he orders that expenditure, and I look upon him in that sense as a spending person.

17,836. (*Sir Donald Stewart.*) Can you give any examples of that?—Yes; this Afghan war, for instance; the orders in connexion with the Afghan war were sent direct by the Secretary of State to the Government of India.

17,837. Any more recent ones?—I believe that it is relevant, but I am not quite sure, because the point is not in connexion with expenditure—but I believe tariff legislation and things of that kind have been ordered from here.

17,838. But you refer to expenditure?—Yes, I refer to expenditure. Well, it is so difficult to say, because the proceedings of the Council are not available to us; but, as we know from the constitution of the Council that the Secretary of State can send out orders, I am pointing out a defect in the constitution.

17,839. When you speak of the Afghan war are you referring to the 1879 Afghan war?—The 1879 Afghan war; the first Afghan war was also ordered by the Board of Control, as far as I understand.

17,840. (*Sir Andrew Scoble.*) When you speak of the Secretary of State in the Secret Department, do you mean to assert that there is any Secret Department in the Indian Office, or that the Secretary of State, when he acts in the way that you describe, is acting as the mouthpiece and organ of the British Government?—Yes, that is what I mean, without the knowledge and sanction of his Council.

17,841. And of the British Government?—Of course with the knowledge of the British Government, but without the knowledge of the Council.

17,842. (*Sir Donald Stewart.*) But that is not quite correct?—I am open to correction; but this is the opinion that I have formed after reading what literature has been available to me on the subject.

17,843. (*Mr. Courtney.*) Is it without the knowledge of the Council, or without the assent and concurrence of the Council?—Without even the knowledge of the Council he can send orders; if he marks a despatch as confidential or secret, the Council cannot see it.

17,844. (*Sir James Peile.*) Can he send it without the knowledge of any of the Council?—It is so difficult to say; he may, if he likes, show it to some.

17,845. You do not know?—I do not know.

17,846. You should not be so positive then?—I believe the Council means the whole Council; and if only one or two members see it, that is not the Council seeing the thing.

17,847. (*Mr. Naoroji.*) That is at the discretion of the Secretary of State?—The Secretary of State.

17,848. (*Chairman.*) But do you found your opinion of this power which you attribute to the Secretary of State upon any clause or section in the Act of Parliament regulating the Government of India?—Yes; this power that the Act gives to the Secretary of State to mark a despatch as confidential, and then send it on without the knowledge or cognisance of the Council, that is what I have in view.

17,849. And that, you say, is actually contained in the Act itself, is it?—Well, that is my impression.

(*Sir Donald Stewart.*) As I gather from the witness, he is referring to orders that may be issued in the Secret Department, which cause expenditure.

17,850. (*Chairman.*) That I understand?—Orders, which ultimately may lead to expenditure, not immediately.

17,851. (*Sir Andrew Scoble.*) Either directly or indirectly?—It may only be a course of policy or a course of conduct which immediately may not involve expenditure, but in the long run it may make expenditure inevitable.

17,852. Can you give any instances of what is in your mind when you say that, because if there were an order to take military proceedings, which is one case that you have mentioned, that would involve immediate expenditure, would it not?—It is so difficult for us to say definitely, because we do not see the proceedings of the Council; but I have such a case as this in mind, for instance, the Secretary of State wishes that the British Government should send an embassy to some place outside the limits of British India; well, if he marks that despatch as confidential, it need not come before the Council and the Council need not see it. However, the sending of this embassy may ultimately bring the country into difficulties that might lead to war.

17,853. Have you in your mind any concrete case of the kind?—Well, I think the consul that was sent to Cabul in 1879 by the Government of India; that was, in consequence of instructions which Lord Lytton received direct from the Secretary of State.

17,854. That is your impression?—Yes, that is my impression.

17,855. (*Sir Donald Stewart.*) But in that case any expenditure that was involved in sending the embassy must absolutely come before the Secretary of State in Council, and be discussed in Council?—I thought that the mere sending of the embassy, if the despatch was marked confidential—

17,856. I gathered your argument referred to a question of expenditure?—Yes; but it is not direct expenditure.

17,857. And all expenditure has to be discussed in Council?—What I mean is that, if it directly involved expenditure, it would come before the Council, but, if it only ultimately may involve expenditure, it would not come before the Council necessarily.

17,858. No expenditure whatever can be sanctioned by the Secretary of State without the concurrence of his Council?—Yes, I know that; but he might order a line of policy which immediately may not involve any expenditure, but which ultimately may necessitate expenditure. It then becomes merely a question of policy.

17,859. (*Chairman.*) Perhaps you would go on; you were dealing with the controlling authorities, I think?—The controlling authorities at present are: the Government of India controlling the Provincial Governments, the Secretary of State in Council controlling the Government of India (the Council sometimes tries to control the Secretary of State, but it is now much more dependent on him than it was once), and Parliament in theory controlling all. Now, in the first place, all this is purely official control, unless indeed, by a stretch of words, we regard the theoretical control of Parliament as to some extent popular. Real popular control, in the sense of control by the taxpayers, is, practically speaking, entirely absent from the whole system. There are, no doubt, the Provincial and Supreme Legislative Councils in India. But, so long as the budgets are offered for criticism only and have not got to be passed, and so long as the members are not allowed to move any resolution in connexion with them, they cannot be called controlling bodies in any proper sense of the expression.

17,860. Would you not allow that the free power of criticism is a real exercise of the power, I will not say exactly of control, but of check?—To some extent it may be a check, but it is not control; that is what I am saying. Of course, I admit that there is value, a great deal of value in these discussions. Secondly, I venture to think that even this official control, such as we have it, is, except in the case of Provincial Governments, of very little value from the taxpayers' point of view. The Provincial Governments are indeed controlled, and more than controlled, officially—they are, in fact, crippled. But as regards the Government of India and the Secretary of State in Council, where they are in a reement, their powers of incurring increased expenditure are almost unlimited; and unfortunately they are generally found to be in accord in matters in which the Indian taxpayer feels a direct interest, their differences being usually about matters for which he cares little or nothing.

17,861. Would you explain what you mean by "matters for which he (the Indian taxpayer) cares little"?—Well,

I might take the case of the increase of the army. Now that was a question in which the Indian taxpayer felt a direct interest. The Government of India proposed, and the Secretary of State sanctioned, the increase by telegraph. I do not mean here to question anything that they do; all that I want to do is to point out that in matters which involve large expenditure they are generally found to be in accord.

17,862. But then you say that their differences are in matters for which the Indian taxpayers care little?—Yes. They may differ as to whether there should be so many officers in a particular regiment or not. They sometimes differ from one another in such matters, but we do not feel much interest in their differences. If they differed, that would be a safeguard, because then the Secretary of State would act as an appellate body.

17,863. I think you have mentioned, have you not, that, on one or two occasions, on important questions there has been a difference between the Secretary of State and the Viceroy?—Yes; and to that extent that was very valuable; but I wish that they differed oftener than that.

17,864. Still your statement is put very broadly; would you not make some qualification?—I have been careful, I think, my Lord. I have said, I think “their differences being usually about matters”—on rare occasions they do differ—but usually “about matters about which we did not care much.” Lastly, section 55 of the Government of India Act of 1853 is supposed to give protection to Indian revenues against their application to extra-Indian purposes; but it is now well-known how that section has failed to attain its object in practice. I will explain that later on.

17,865. Will you tell us what you consider to be the result?—The results of this state of things have been very unfortunate. Under the East India Company our revenues were certainly much better protected. The Company's government was, so to speak, a strong buffer between Indian interests and Imperial interests; and, as Sir Charles Trevelyan has observed, it was often able to offer a successful resistance to the demands of the Queen's Government.

17,866. Would you explain a little more what you mean by the revenues under the East India Company being better protected; in what sense do you mean that?—Against the demands of the Imperial Government, the Government here at home. Sir Charles Trevelyan has given that in detail before the Fawcett Committee, and he says that it often happened that extra charges were attempted to be put upon India, and the representatives of the Company fought with the representatives on the other side, and generally they carried their point. I have taken the statement from Sir Charles Trevelyan's evidence.

17,867-8. And do you think that in the financial administration of India itself the East India Company was more economical than the Queen's Government?—I think so. I think they were much more economical. It might be mentioned that so far as possible they avoided extra taxation; that was a characteristic feature of pre-Mutiny finance; as far as possible, they avoided additional taxation.

17,869. But there was a good deal of extra taxation put on under the East India Company, was there not?—Not much. If the whole period of their rule were examined, it would be found that they generally adhered to the taxes that were already in existence; and that it is since 1857 that so many more taxes have been imposed upon the country. This point, also, is brought out very well by Sir Charles Trevelyan in that evidence.

17,870. Will you proceed?—The inquiry which Parliament used to make into Indian affairs every 20 years, in those days, and the spirit of jealous wakefulness which it used to exhibit on those and other occasions, were a further protection to Indian interests. With the establishment of the direct administration of the Crown all this has gone, and the administration of the Indian revenues is now practically entrusted to a Cabinet Minister, assisted by a Council of his own nomination, a Minister who brings no special knowledge or experience of Indian affairs to the discharge of his duties, who, as a member of the Imperial Executive, naturally has an eye to Imperial politics rather than to Indian interests, and who is peculiarly liable to be swayed by the varying currents of English public opinion and other English influences. All financial power in regard to expenditure—executive, directive, and con-

trolling—is centred in his hands; and with all these vast concentrated powers he has really no responsibility except to the Cabinet, of which he is a member and of whose support he is always assured, and to Parliament where he has a safe majority behind him in virtue of his position as a Cabinet Minister. The position virtually amounts to this, that it is the administration of the finances of one country by the Executive Government of another, under no sense of responsibility to those whose finances are so administered.

17,871. You say that all financial power in regard to expenditure is centred in his hands; are not the Council a check upon him in matters of expenditure?—Well, they are supposed to be a check; but I must say that we are not impressed by the way in which that check is exercised. Recently, for instance, there was an example in connexion with these Suakin charges. Two members, Sir James Peile and Sir Donald Stewart, protested, and the whole of India in fact was of the same opinion; the Government of India itself was of that opinion; and yet the Secretary of State was able to carry his point, so that practically he is supreme; the position comes to that.

17,872. But, though there was a protest made by two members of the Council, I gather from your statement that the remainder of the Council supported the Secretary of State?—That must have been so, I believe; that is also the inference I would draw.

17,873. And, therefore, that proves nothing to the effect that the Secretary of State has autocratic power in the matter?—Except this, that the members do not care to differ from him—perhaps I ought not to use that expression—but they generally are disposed to agree with him—the majority of the members. Well, that does not amount to an effective check.

17,874. Have you any reason for saying that the members generally agree with him?—That is what has been said by many men. Sir Charles Trevelyan notably said that he was hopeless of the Indian Council; “hopeless” was the expression that he used with all his knowledge. I mean to cast no reflection on any of its working, but that is the feeling in India. If the other members had taken the view that was taken by these two members, that would have been a good check.

17,875. But, of course, the other members of the Council may have been conscientiously of opinion that the step was the right one?—I quite admit that; I do not mean to say that they must have done it against their conscience, but we deplored their vote all the same.

For years past we have been treated as a vassal dependency, bound to render services to the suzerain power and to place our resources, whenever required, at its disposal. As a result, millions upon millions have been spent on objects which have not advanced the welfare of the Indian people so much as by an inch—even the empty sense of glory, which is a kind of barren compensation to self-governing nations for such large expenditure of money, is not available to us as a consolation. And not only have these vast sums been thrown away in the past—thrown away, of course, from the Indian taxpayer's point of view—but, as a direct result of that expenditure, the country is now pledged to indefinite, and possibly vaster, liabilities in the future. And all this has gone on, while the expenditure on objects which alone can secure the true welfare and prosperity of the people has been woefully neglected.

17,876. You say that as a result millions and millions have been spent on objects which have not advanced the welfare of the Indian people so much as by an inch. Could you tell us what you have in your mind when you say that?—I have in mind the past expenditure that has been incurred on the Northern and North-Western frontier in connexion with the frontier Imperial policy. When I say that that expenditure has not advanced our welfare by an inch, I mean that in matters of education, in matters of domestic improvement, we are where we were, whereas this expenditure has been going on increasing.

17,877. Would you apply that criticism to all defensive expenditure—that it is thrown away?—It would involve a discussion of a question of policy, but my own view is, that the Government ought to have confined themselves to the natural defences that they had, and not have gone beyond the frontiers and incurred all this expenditure.

17,878. That is quite a legitimate opinion of your own, but it is only your own opinion?—Of course, I can state only my own opinion.

17,879. And, I think, when you and I are speaking across the table, we are neither of us military authorities, are we?—I admit that. But it is not our fault, I mean the fault of Indians like myself, that we do not

see the military point of view just as the military people would like us to understand it; we are non-official critics, and all the information that is available to us we utilise.

17,880. But we must bear in mind, must we not, that, while the criticism is what I may call lay criticism, though it may be perfectly legitimate criticism, on the other hand, a different opinion has been taken by the military authorities, who are experts in the matter; and it would be a very grave responsibility for the Government to take, would it not, to neglect the warning of their expert advisers in military matters?—Oh, I quite admit that; but there are even military experts who take the same view as we do. Colonel Hanna, for instance, has recently written three books, and in them he has said that the Government has made a great mistake in going beyond the frontier.

17,881. (*Mr. Caine.*) All that the witness said to you just now he would also mean to convey to the Commission, as the deliberate and unanimous opinion of all the Associations which he says he represents here. Would not that be so?—That is so.

17,882. There would be no difference of opinion on questions of frontier policy as expressed by you?—No difference of opinion amongst Indians, the Indian political Associations.

17,883. (*Sir William Wedderburn.*) And it is because Indian public opinion regards these expeditions as aggressive rather than as defensive that they object to them so strenuously?—That is so.

17,884. (*Mr. Courtney.*) Has any voice been raised by the Indian members of the Legislative Council against them?—Well, they protest occasionally. The non-official members of the Viceregal Council protest against charges; but there is no vote, no division, and it comes to nothing.

17,885. (*Sir Andrew Scoble.*) Do you remember any occasion of their entering such a protest?—Oh yes, I remember that two years back the Honourable Mr. Mehta, of the Bombay Presidency, protested very strenuously against these military expenditures.

17,886. Which expenditure?—The frontier military expenditure—Chitral, I think.

17,887. The Chitral expedition?—Against such expeditions as that; we say they were not necessary, they say they were necessary—and there is an end of the matter.

17,888. Then a protest, made two years ago, was made after the expedition was over, and the expenditure had been incurred, was it not?—When I mention Chitral, I mean expeditions like Chitral; the expeditions have been going on latterly rather too fast, and I do not remember just now whether it was against Chitral or some other expedition that Mr. Mehta protested.

17,889. Surely, if you say on behalf of these political Associations, that protests were made on their behalf in the Legislative Council, you can tell us what the precise expedition was, and what was the precise protest, could you not?—I should like to refer to the discussion before giving an answer to that.

17,890. (*Mr. Naoroji.*) Were there any independent, non-official, partially elected, members at the time of the Afghan War; that is rather a later arrangement?—Yes, that is rather a later arrangement.

17,891. And at that time there were none?—No, there were none.

17,892. They were all nominated at that time?—Yes.

17,893. (*Chairman.*) What defects do you consider to exist in the present arrangements?—The principal defects in the existing arrangements to which, in my humble opinion, these deplorable results are to be traced are two: (1) autocratic financial power practically concentrated in the hands of a member of the Imperial Executive without adequate securities for its due exercise; and (2) the absence of effective protection to India against financial injustice at the hands of the Imperial Government, there being no impartial tribunal left to appeal to for redress of such wrong, and no constitutional power to resist unjust demands.

17,894. Now, passing to the Council of the Secretary of State, are there any observations you have to offer to us?—When the Government of India was transferred from the Company to the Crown, the Secretary of State's Council was intended to be a check on him, and guarantees were provided for securing the independence of members. But these guarantees have, nearly all of them, been swept away by the amending Acts of 1868 and 1876. Under the arrangements of 1858 the members of the Council were to hold their office during good behaviour,

and were not removable except on an address of both Houses of Parliament. They were thus placed in a position of dignified independence to exercise the important powers of control entrusted to them under the Act. The Act of 1869, however, profoundly modified this position of the Council. It provided that all appointments to the Council were thereafter to be made by the Secretary of State. The members were to hold office for 10 years only, and for special reasons, to be communicated by the Secretary of State to Parliament, they might be reappointed. These modifications at once lowered the position of the members, destroyed the independence of the Council, and virtually left the Secretary of State supreme in the direction of affairs. The Council was, in fact, reduced to the status of a subordinate consultative Board to be composed of the nominees of the Secretary of State, stripped of its original dignity and independence and left unfitted for the proper discharge of its high constitutional functions. The Act of 1876 empowered the Secretary of State to appoint three of the members for life, thus throwing additional power into his hands. The manner in which the Council is recruited is also open to the gravest objection. Nearly all the members are persons who have held high executive office in India. They cannot, as a rule, be unbiassed judges of the actions of their successors, for the single reason that in their own time they had in all probability behaved in the same way. There are no representatives of independent Indian public opinion on the Council. Moreover, the machinery of the Secret Department enables the Secretary of State to order a course of action, which may practically render large expenditure inevitable without the knowledge of his Council.

17,895. You are criticising the Act of 1869, and you point out that it provided that all appointments to the Council should thereafter be made by the Secretary of State?—Yes.

17,896. By whom would you like the appointments to be made?—Well, I do not object to the Secretary of State making the appointments as the Council is now constituted, but the manner in which the Council is recruited is regarded as objectionable, for this reason, that the class of men that are selected for it are generally persons who have occupied high executive positions in India.

17,897. We will come to that, if you please, afterwards. Just at the present moment I want to get your view as to the method in which the Council should be recruited. Your words would rather imply a criticism upon the selection by the Secretary of State, and I wanted to gather how you yourself would prefer to see the nomination to the Council made?—I would wish it made by the Crown.

17,898. By the Crown; it would still be by the Secretary of State?—It may come to that ultimately, but there is a greater dignity felt, when the appointment is made by the Crown.

17,899. There may be a dignity in it being stated that the Crown makes the appointment; but the Crown can only act upon the advice of the Secretary of State, and, therefore, the result is the same whether the appointment is made by the Crown or by the Secretary of State directly. I want to gather from you whether you acquiesce in the Secretary of State as the person who is to choose the members, or whether you had in your mind any other method of appointment?—No; my point was this, that men, who are presumably to control the Secretary of State, should occupy a certain position in regard to their appointment; also I consider that there is greater dignity in the appointments if made by the Crown than by the Secretary of State.

(Chairman.) That is quite intelligible.

(Sir Donald Stewart.) But they are made by the Crown now

17,900. (Chairman.) Are they?—No, by the Secretary of State.

17,901. Then that confines your criticism really to this, that you would like the appointment of these councillors to be made by the Crown as adding weight and status to their position?—Yes.

17,902. But, further than that, you do not contemplate any other method of appointment than by the Secretary of State; in either case the Secretary of State would be the virtual appointor?—I admit that.

17,903. (Mr. Mowbray.) Or would you mean the Prime Minister by "the Crown"?—If that could be secured,

that would be better; I think if the Prime Minister could appoint, if the Crown could appoint on the recommendation of the Prime Minister, that would be better.

17,904. Had you that in your mind when you said "the Crown"?—I was not quite clear that the appointments by the Crown were really at the instance of the Secretary of State; I had thought it was at the instance of the Prime Minister, but I took it from the Chairman that they are at the instance of the Secretary of State.

17,905. (*Sir Andrew Scoble*) I understood you to suggest that the alteration of the appointments from "during good behaviour" to a limited period of 10 years was a great objection, in your mind, to the fostering of that spirit of independence, which you would like to see in the Council of the Secretary of State?—Yes, that is so.

17,906. (*Chairman*) You speak as if the Act of 1869 modified the previous practice. Before 1869 do you consider that the members of the Council were nominated in a different manner?—Yes, they were differently appointed. To begin with, out of 15 members eight were appointed by the Crown and seven were appointed by the Court of Directors.

17,907. (*Sir Donald Stewart*.) Would you read that? (*Handing copy of Act to witness*)?—This is the Act of 1858, but I am speaking of the Act of 1869.

17,908. The same form in practice still exists?—Under the first Act the appointments were to rest with the Crown, but the Act of 1869 provided that they were to be by the Secretary of State. I think Sir James Peile supports me in that, that the present appointments are by the Secretary of State.

17,909. (*Chairman*.) But, going back to what I was saying before, did not the old practice apply to nominations to be exercised once only? The Act, I presume, contemplated that all new nominations would be made as they are made now?—The vacancies among those seven members were to be filled by a sort of co-optation, while all vacancies in the eight members were to be filled by the Crown.

17,910. And therefore you look upon it that at the beginning, under the original Act, the idea was that a certain number of the members for all time would be co-opted?—Yes; after the first nomination they would be co-opted.

17,911-2. Should you maintain that the Act of 1869 was a definite change in that respect, inasmuch as it vested the whole of the nominations in the Secretary of State?—Yes, that is what I mean.

17,913. (*Mr. Courtney*.) And do you think that change by itself was one for the worse?—In this way, that the controlling body became more dependent upon the Secretary of State, and lost some part of its first dignity.

17,914. It would be no more dependent, when appointed. A member of Council was as independent of the Secretary of State, after appointment, after 1869 as before?—The Secretary of State has also got the power of re-appointing after 10 years, which was not possible before.

17,915. Because formerly a member of Council was appointed for life?—Yes.

17,916. Do you think that it was desirable that the original appointments for life should have been maintained?—My own opinion about the Indian Council is that after all it would be an advantage to have short term appointments only; but we are talking at present from the point of view of control, and so far as that goes the change was for the worse, because the body became less independent.

17,917. You think a member of the Council, looking to the chance of having his tenure prolonged, is more dependent on the Secretary of State?—Well, I would not put it quite so strongly as that; but it makes a change.

17,918. In what other respect is there dependence?—If there is no suggestion of dependence in that, why have they made the English judges independent? They all feel that that appointment for life secures better independence.

17,919. But, supposing with respect to English judges the law were altered so as to require the English judges to retire at 70, which many people think would be desirable, would that affect the independence of the English judges?—That would not; but, if any judge could be re-appointed after he was due to retire, well, that would to some extent have a tendency to affect his independence.

17,920. (*Sir Andrew Scoble.*) Have you ever heard it suggested that the prospect of a judge getting transferred to the Court of Appeal, or to the House of Lords, is considered by some people in England rather to diminish their independence?—Well, I have read of that, but I am not qualified to express an opinion.

17,921. You have heard that that argument has been used?—Yes, but I am not qualified to express an opinion upon it.

17,922. (*Chairman.*) Then I do not take it that you condemn the principle of only appointing for a period of years in itself?—That has become inevitable now, I think; in any subsequent changes that might be made I think that has become inevitable. I would even go so far as to reduce the period from ten to five years, because circumstances are changing so fast in India now that even ten years is too long a period.

17,923. (*Mr. Courtney.*) From ten to five years without possibility of prolongation?—Without possibility of prolongation.

17,924. (*Chairman.*) Can you tell us whether the members of the Council have often been re-appointed for ten years?—I believe recently there was an example, though in that case we all felt that it was a very proper re-appointment, it was in the case of Sir Donald Stewart. We all felt that it was a very proper re-appointment, but the power is there; I do not say that the power has not been properly used, but the very fact that the Constitution gives that power to the Secretary of State shows some weakness in the Constitution; that is my point.

17,925. Well, then, you say that it is an objection to the present system that so many of the persons appointed to the Council had held high office in India, and I understand you to think that that diminishes their power of useful independent criticism?—Well, executive officers I mean.

17,926. Yes, high executive offices; and I suppose what you mean by that is that that diminishes their power of exercising independent criticism?—Their opinions are already formed on the subjects that are likely to come before them, and they do not make quite impartial judges of things that are going on in India.

17,927. But, on the other hand, do you think it would be an advantage if the Council of India consisted of people who had no knowledge of India?—In a very short time I believe they might qualify themselves for that. It would not be a very great difficulty; besides, you might have judges from India. What I object to is persons who have been members of the Viceregal Council. There was a case, for instance, some time back brought to light. General Strachey had advocated the narrow-gauge system in India—in fact he was looked upon as the author of that narrow-gauge system—when the question was before the Supreme Government. The question afterwards came before the Secretary of State. General Strachey himself by that time had come into the Secretary of State's Council, and naturally, being a great expert, his voice prevailed over everybody else's. The same man, who was responsible for the introduction of the narrow-gauge system, also ultimately approved of that system. I only want to point out that the opinions of these gentlemen are formed quite definitely, and they are not likely to form very impartial judges; I mean they are not likely to see the other side.

17,928. But, a council constituted like the Council of India would be perfectly alive—as much as you or I would be—to this danger of leaving any officer to determine—what I take to be your meaning—in his own case personally. The Council would be quite as able, I think, as anybody else to discount that danger, would they not?—It depends. When a person is a very strong person he is able to make an impression on his colleagues, and make them see just as he sees.

17,929. Of course it is then within the bounds of possibility that such a person might be right, is it not?—Oh, perfectly so; I do not say he was not right; I only say the control is not then properly exercised.

17,930. Do you not think the body of the Council, independent gentlemen, independent of such a person at all events, are quite able to discount, to appreciate this danger which you point out, and to guard against it?—In such technical matters it is an expert, whose opinion carries a great weight naturally.

17,931. Not necessarily a predominant weight?—No, not necessarily a predominant weight, but it would almost look like it. I myself should be very much influenced by an expert's opinion.

17,932. Naturally?—Naturally.

17,933. (*Sir Andrew Scoble.*) But you would not expect a man to give up the honest opinions he had formed during a long period in an executive office, simply because he happened to be placed in the Secretary of State's Council?—I do not; I know they would all stick to their opinion. That in itself constitutes a sort of incapacity to see the other side.

17,934. If they all stick to their opinions, would you not get that friction which is so desirable in a body like the Council of the Secretary of State, so as to secure the expression of opinion on both sides?—I do not know how that friction would be secured, because they are all moulded more or less in the same groove and see things in the same manner.

17,935. Would not that lead to the conclusion that they were all right, if they all agreed?—The Government of India or the Secretary of State in Council, would have to be regarded as infallible if we were to argue like that.

17,936. (*Sir William Wedderburn.*) In that case of the adoption of the narrow-gauge system, there was very nearly universal public opinion, European and Native, against it in India?—That is how I understand it to have been.

17,937. (*Sir Andrew Scoble.*) That was not the case, because there was a great change of opinion upon that question of the gauge?—But there was a very important opinion on the other side.

17,938. There was a very important opinion, as I recollect, on both sides?—Of course, since General Strachey was able to carry his point, it must have been that he was strongly supported.

17,939. I feel bound to say that I was a strong supporter of the broad-gauge system myself. I know there was a very great and important and valuable opinion on the other side?—I am pointing out what struck me as the defects in the constitution itself; though sometimes, the defects might exist, yet the constitution might work better; but that does not mean that the defects themselves are not to be found fault with.

17,940. (*Chairman.*) Dealing with that question of the constitution of the Council, I would like to learn a little more fully from you whether you do not see a risk in a Council composed of people who have had no experience of India?—If judges, for instance, were put on the Council, they would bring a general knowledge of India to the discharge of their duties; and I have such faith in an Englishman's sense of duty, that I believe that in a short time they would qualify themselves for the work, and they would be more impartial men.

17,941. And would the Council that you think it would be advisable to form, consist altogether of Indian judges?—I only gave an example; there might be non-official leading Anglo-Indians upon it, and they might also appoint some men on the recommendation of the Legislative Council, of the representative members of the Legislative Council.

17,942. You do not mean that you would put on the Council Englishmen who had never been in India?—I would put some of them also, because they would be able to see things from a different standpoint; even now, I believe there is some provision like that.

17,943. (*Sir Andrew Scoble.*) There are some?—There are some even now.

17,944. There is an Indian judge on the Secretary of State's Council, is there not? Sir Charles Turner, lately Chief Justice of Madras?—I would strengthen the judicial element, and reduce, if not altogether abolish, the executive element.

17,945. (*Chairman.*) Do you not think there is a great advantage in the Secretary of State having at hand men who have held very high executive office in India, who are able to give him the benefit of their experience?—The real Government of India is really in India, and ought to be in India. So far as general questions are concerned, it is only when questions are referred to the Secretary of State that the Secretary of State has to take cognizance of them; and I believe that, if judges and such other persons as I have mentioned, qualified themselves properly for the discharge of their duty, they would assist the Secretary of State quite as well as the present executive members.

17,946. In your definition of the position of the Secretary of State, you observe there are very important questions that would be referred to the Secretary of State?—Yes, sometimes.

17,947. And you do not think it desirable that he should have at hand officers who know something of the circumstances under which the questions have arisen, and who are able to advise him from their knowledge of Indian opinion and of Indian tradition; you would leave him on those points to form his unaided judgment? I grant you that you have spoken of Indian judges being present; but the Indian judges, I understand, have not got the administrative experience that many of the present members of the Council have?—That is true; but under the present system it comes to this, that men who are responsible for things in India, themselves, in course of time, come to be members; and they, therefore, cannot be expected to condemn what they themselves have done before.

17,948. (*Sir William Wedderburn.*) You attach more importance to impartiality than to special knowledge of the subject?—I do.

17,949–50. Because the matters that come up before the Secretary of State are generally in the nature of an appeal against some action of the Executive in India?—Yes.

17,951. And you do not wish those who have been the authors of these executive acts to come and sit afterwards in appeal upon those acts?—That is precisely my view.

17,952. (*Mr. Courtney*) I should like, before you conclude this part of your subject, to get some definite idea from you as to how you would wish this Council of the Secretary of State to be constituted; how many members would you like to have?—They have at present reduced the number to, I think, 10 members, and it might very well so remain. Each of them might hold office for five years or so—I would not put the thing quite definitely—only say five years or so.

17,953. Wait a moment; five years or so? Are you clear about that?—Well, I think so.

17,954. Do you think 10 years too long?—Well, I think it is rather too long; that is my view.

17,955. Next you would like to have them appointed nominally by the Crown?—By the Crown.

17,956. The appointment by the Secretary of State means the same thing?—If it comes to the same thing, well, there is no help; but there would be a greater dignity in the position.

17,957. You would have none appointed by any other authority than the Crown?—Well, the ultimate appointment should be by the Crown; some of the members should be appointed on the recommendation of the members of the Indian Legislative Council.

17,958. Of the representative members of the Supreme Legislative Council, I suppose, in India?—Yes, that is what I mean, the Supreme Council; but it all depends on how many members you give.

17,959. Suppose you take the allotment of three as you suggest?—Well, the representative members of supreme Legislative Council might nominate them.

17,960–1. Might nominate three?—Might nominate three.

17,962. (*Sir Andrew Scoble.*) By the “representative members” do you mean the non-official members generally, or only a certain class of non-official members?—The non-official members who are appointed on the recommendation of certain bodies.

17,963. Not those who are nominated by the Viceroy?—No, because that means Government nomination pure and simple.

17,964. Then how many members of the Viceroy’s Council are there who fulfil that condition that you have named?—I believe there are seven or eight now.

17,965. Eight; and you would allow those eight to elect three members to the Secretary of State’s Council?—But each member has behind him another electorate.

17,966. I did not ask you who is to be influenced; but you would allow these eight members to appoint three members of the Secretary of State’s Council?—Well, I would, because there is no other machinery that represents India as these eight members do.

17,967. (*Mr. Courtney.*) It would not work out in your scheme that the eight would appoint three straight away?—I mean, when it came into full operation, there would be a

vacancy every two years or something of that kind?—It would be that.

17,968. You would have an appointment made by the eight members of this year, and the eight who would appoint two years hence might or might not be the same eight, but might be partly the same and partly different, and so on?—Yes.

17,969. That would amount to three out of the ten. Would you allow the Crown to have any veto on that nomination?—Oh, of course, the Crown must have the power of veto on that nomination.

17,970. The recommendation would be accepted, or not, by the Crown?—Yes.

17,971. You would expect it to be accepted as a rule?—That is what I mean.

17,972. With reference to the other seven do you lay down any restriction as to the classes from which they would be chosen?—I did not expect to be asked to place before the Commission a definite scheme, but I should think that there should be three Indian judges; that is how it strikes me now; about three members might be Indian judges.

17,973. Three ex-judges out of seven?—Three ex-judges. Yes. Then if the members are ten there should be two Englishmen who have never been out to India, and two other persons who have been in India; they might belong to the Executive, or they might not belong to the Executive. I would not absolutely shut executive officers out.

17,974. You would reduce the representation of the Executive machinery of India to very modest dimensions?—That is because I feel our grievance is against them—not against any of the individual members, but against the system which makes them the judges of their own acts.

17,975. You say you are not expected to answer these questions, but, as far as the Government at home is concerned, it seems as if in your mind the efficiency of the control depended upon the composition of this Council?—Yes.

17,976. Therefore it is very important to have some idea—not a rigid one, but some idea—of the way in which you would like that Council to be constituted?—As a matter of fact, I do not expect that this Council would be modified in any way, or, at any rate, that there would be much modification in the constitution of this Council; but I have proposed a committee afterwards which would be a more effective committee of control; I attach more importance to that.

17,977. Who should be in London?—Who should be in London.

(*Sir Donald Stewart*) Lord Welby, the witness is right in saying that the appointments to the Council here are made by the Secretary of State, but the Secretary of State's appointments are, as heretofore, submitted to Her Majesty for approval before they are published; that is the procedure, I believe.

17,978 (*Chairman*.) But the appointment does not actually state that it is made by the Queen?—Under the Act it is made by the Secretary of State; the names are submitted to Her Majesty for ratification.

(*Mr. Mowbray*.) Is that under the original Act.

17,979. (*Chairman*.) No; that is under the Act of 1869. Now then, perhaps, we will pass on to the point of the Government of India and the Finance Member?—Subject to the control of the Secretary of State, which often is only nominal, the Government of India can administer the Indian revenues practically as they please.

17,980. Would you let me just interrupt you there. I have some difficulty in reconciling that statement with what you have just told us; when speaking of the Secretary of State, you said the administration of the Indian revenues is now practically entrusted to a Cabinet Minister, assisted by a Council of his own nomination—a Minister who brings no special knowledge or experience of Indian affairs to the discharge of his duties, who, as a member of the Imperial Executive, naturally has an eye to Imperial politics; that all financial power in regard to expenditure—executive, directive and controlling—is centred in his hands, and that with all this vast concentrated power, he has really no responsibility except to the Cabinet of which he is a member, and of whose support he is always assured, and to Parliament where he has a safe majority behind him. I have some difficulty in reconciling that with your statement when you say "subject to

"the control of a Secretary of State, which is often only "nominal" ?—What I meant there was that that was the theory of the subject, and that in regard to any general questions of policy which involve large expenditure, the voice of the Secretary of State prevails; but, subject to that, in all ordinary matters the Government of India is practically able to count upon the assent of the Secretary of State. As a rule the Secretary of State adopts the views of the Government of India.

17,981. Then ought not your first statement to be made with some qualification, because it leaves us under the idea that the Secretary of State has the power of an autocrat in the matter of finance?—But the Constitution gives him that power, and how the Constitution is worked must depend upon the circumstances. I am now dealing with the actual working of the Constitution, but the Constitution gives, in the first place those vast powers to him.

17,982. But should you not rather have stated it with that qualification, because I think anybody reading what you have stated to us would be under the impression that—I think these are your own words—the sole autocrat in Indian finance is the Secretary of State. Now it appears from this that you qualify this considerably in practice?—I would qualify my former statement by saying that under the Constitution he is so.

17,983. Would you go on?—The testimony of Sir Auckland Colvin and Sir D. Barbour on this point is of great importance. Sir A. Colvin was careful to point out that the present weakness of the Finance Minister's position dates virtually from 1885. That being so, it is evident that the dissent of Lord Cromer, as also of Lords Northbrook and Ripon, from his and Sir D. Barbour's view is beside the point. It is true that Lord Lansdowne and Lord Roberts also do not endorse the view of the two Finance Members. But this was only to be expected, seeing that they themselves are the party against whom the complaint was directed. When Sir A. Colvin and Sir D. Barbour say that with the Viceroy on his side the Finance Member is as strong as he ought to be, and when they complain of the weakness of his position during their time, the only inference to be drawn from that is that the Viceroys under whom they served, viz., Lords Dufferin and Lansdowne, were not of an economical turn of mind; and, of course, we cannot expect Lord Lansdowne to concur in that view.

17,984. But if it is the case that there has been a change of policy since 1885, it is quite possible that that change may have been necessary, is it not?—That view may be held on the other side; it is open to them of course to say that.

17,985. I mean, is it patent on the face of it that the Viceroy must have been wrong and the Finance Member right?—But I am expressing what is the non-official view of the matter; the official view of course we know is that it was necessary.

17,986. But official or non-official view, it does not really matter. It is sufficient to say that, when the Finance Member differs from the Viceroy, necessarily the Viceroy must be wrong?—Oh, I do not say that, but the presumption is that the Finance Member, being a member of the Executive Council, would not oppose a thing, if it were really necessary, merely on financial grounds. I would be disposed to attach something of extra importance to the opinion of the Finance Member.

17,987. That is attaching a very great weight, is it not, to the superiority of financial knowledge in the Council?—But that is because he occupies a unique position; he knows what the Executive needs are, and he knows also what the country can afford. The other members think rather of the needs as they take them to be, than of the finances.

17,988. Then how would you sum up the question?—The whole position may be thus summed up: (1) The buffer of the Company's Government which fairly protected Indian interests is gone, and there is no effective substitute; (2) We have no effective constitutional safeguards against the misapplication of our revenues for extra Indian requirements; (3) The control vested in the Council of the Secretary of State under the Statute of 1858 is rendered almost nugatory by the alteration of its status under recent amending Acts. The mode of recruiting the Council is also radically faulty; (4) The control of Parliament, as against the Secretary of State, has become entirely nominal, owing to the latter being a member of the Imperial Executive, with a standing majority behind

him. The old periodical inquiry by Parliament and its jealous watchfulness are gone. In fact we have at present all the disadvantages of Parliamentary Government without its advantages. In the case of all departments except the Indian, ex-Ministers think it their duty and also feel it to be their interest to exercise the closest watch on the proceedings of their successors with a view to passing the most adverse criticism that may be possible. In regard to India alone, ex-Ministers vie with and sometimes even go beyond their successors in extolling all that exists and all that is done. The responsible opposition in this country thus abdicates its functions in the case of India only.

17,989. When you speak of the old inquiry by Parliament, I presume you refer to the inquiry which took place at intervals of 20 years into the constitution of the old Company?—Yes, at the time of renewing the Charter.

17,990. And you think that that was a valuable method of inquiry, which brought the whole question of the government of India before Parliament?—Yes.

17,991. But since the abolition of the Company in 1858, have there not been a great number of inquiries by Parliament into different branches of Indian expenditure—especially finance?—Yes, there have been; notably the Fawcett Committee, which came 20 years after 1853, and then this Commission, which comes 20 years after that; I know that, but there is such a great amount of trouble in getting these committees, and of course there is no constitutional safeguard that they would be readily granted.

17,992. The difference that you speak of lies in this, that under the Charter of the old East India Company, these inquiries necessarily took place at the end of certain periods; under the present system you may have inquiries, probably equally valuable inquiries, but you have no security as to when, and under what circumstances, they will take place; is that it?—That is so, and there is another point also. In those days inquiries were made into the whole administration, while now generally certain points are specified. For instance, this Commission can inquire into expenditure, and not into revenue; there is that difference also.

17,993. There is another way of looking at that; if you appoint a Commission to inquire into everything connected with the administration, you generally find that from mere want of time it is obliged to slur over a good deal of its work. Do you not think there is a good deal to be said for appointing a Commission with a definite and more or less limited object; is it not more likely to get satisfactory results?—I quite admit the force of what your Lordship says, but there is this much on the other side, that the people could lay all their grievances before such a Commission if it was a general one; and the fact that Parliament ordered these general inquiries before shows that they were alive to the importance of that consideration.

17,994. (Sir William Wedderburn) And was it not a great point in those inquiries that the renewal of the Charter depended upon the Company showing that they had done good work?—Yes, that was so.

17,995. And that, previous to the inquiry, the Government of India was very anxious to put its house in order in every department?—I believe it was.

17,996. So that there was not so very much to find fault with by the time they came and asked for a renewal of their power?—I should presume that was so.

17,997. But now the officials know they have a permanent position, and they do not care much about public opinion in India?—Yes.

17,998. (Chairman.) You have drawn a distinction between the action of ex-Ministers when dealing with Home affairs and with Indian affairs, saying, with regard to India, that ex-Ministers vie with, and sometimes even go beyond their successors, in extolling what is done. May I ask, do the facts really bear that out. If we take the case of the cotton duties, I think we heard ex-Ministers extremely critical upon the conduct of Ministers who were responsible for the cotton duties?—But, my Lord, there was this distinguishing circumstance: The Government of India and the Secretary of State were not in agreement, and, therefore, those that were connected with the Government of India before, naturally took the side of the Government of India; but in connexion with the recent debate, for instance, on Sir William Wedderburn's motion Lord George Hamilton was not, if I may say so, quite able to put the case about famine insurance from the official side as strongly as Sir Henry Fowler did—well, in no other department do ex-secretaries come to the rescue of the

Secretary of State quite in that fashion ; that is what I mean.

17,999. You make your statement rather sweeping, in drawing this distinction between the action of ex-Ministers in England and in regard to Indian affairs. I have no doubt such a case as that you have mentioned could be adduced ; but, on the other hand, I point out to you that Ministers received very severe criticism in Parliament on account of the cotton duties ; and I might give you another instance : there was a severe criticism on the actual Ministers in respect to the Dongola expedition. I am not saying in the least whether they were right or wrong ?—It again comes under that category which I have mentioned, namely, when there is a difference between the Government of India and the Secretary of State.

18,000. I do not see the connexion between that case and that of which we are speaking. All I say is, that there is no kind of conspiracy of conduct between Ministers and ex-Ministers in regard to Indian affairs?—I do not say there is any conspiracy.

18,001-2. That is my own word?—But there is no interest felt practically by the ex-Minister in criticising the proceedings of his successor. In regard to the English Budget, for instance, item by item there is a furious contest ; whereas the Indian Budget is all passed or discussed in a few hours with empty benches, nobody feeling the slightest interest in the matter.

18,003. (*Sir Wilham Wedderburn.*) But in the case of the cotton duties, to which the Chairman referred, I do not think Sir Henry Fowler proposed to take any action in the case until the end of the Session, when it was all settled and too late?—That was so.

18,004. And I do not think that he gave any assistance whatever, but rather was opposed to the motion with regard to the cotton duties which was made in the course of the session?—Yes ; my point was that in the other departments ex-Ministers have a direct interest in discrediting the work—if I may use such a very strong expression—of their successors, showing up to the country practically that its affairs were not administered quite so well as they were by themselves. In regard to India there is no such motive.

18,005. (*Chairman*) My outside experience leads me to believe that ex-Ministers are quite as ready to criticise their opponents in the Government in regard to India as anywhere else?—I thought it was a sort of official etiquette not generally to oppose Ministers in regard to Indian matters. To resume (5) the Government of India, as at present constituted, cannot be much interested in economy. Almost all internal administration having been made over to the Provincial Governments under the decentralization scheme, questions of foreign policy, large public works and military questions absorb almost the whole attention of the Government of India. Further, the Finance Member excepted, every other member of Council, including, since 1885, the Viceroy, has a direct interest in the increase of expenditure

18,006. Well, in all governments there are heads of departments, who are interested in expenditure ; that is not a peculiarity of the Indian Government?—But in India they are not afraid of the taxpayers, whereas in England they are afraid of the taxpayers, the control of the House of Commons being so effective.

18,007. It has been represented to us that, though they are not afraid of the taxpayers, at the same time heads of departments are aware that extravagant expenditure will necessitate increase of taxation, and they are aware that that is a serious matter?—Yes, but in England they have also to face a formidable opposition in order to pass their measure, whereas in the case of India there is no such thing.

(6.) Neither in England nor in India is there the salutary check of public opinion on the financial administration. Parliament is ill-informed and even indifferent. And the Supreme and Provincial Legislative Councils are simply powerless to control expenditure, since the budgets have not to be passed, and no resolutions in reference to them can be moved. Coming to the question of remedies, I think it is, in the first place, absolutely necessary that the Indian Budget should be passed item by item in the Viceregal Legislative Council. Government may retain their standing majority as at present, and that means an absolute guarantee that no adverse vote will ever be carried

against them. We have no wish to see the Government of India defeated on any point in the Supreme Legislative Council, but the moral effect of recording and, so to say, focussing by means of divisions non-official disapproval of certain items of expenditure will, I expect, be very great. It must be remembered that, while large questions of policy can be discussed and settled with advantage only in this country, the details of Indian expenditure can be criticised effectively and with the necessary amount of knowledge only in India. I would also provide that when a certain proportion of the non-official members of the Supreme Legislative Council, say more than half, are of opinion that the voting of a particular sum by the Council is prejudicial to Indian interests, they may, if they please, draw up a statement of their case and submit it through the Government of India to a committee of control which, I venture to suggest, should be created in this country. The creation of such a committee of control is a matter of the most vital importance. A Standing Committee of the House of Commons has been suggested, and would, I think, do very well.

18,008. You think a Committee of the House of Commons would do very well—although it belongs to a body that you have described as ill-informed, and even indifferent to Indian affairs?—But when certain members are specifically appointed to undertake a specific duty, I do expect that they will qualify themselves for that; or the Judicial Committee of the Privy Council might be entrusted with the work; or even the Arbitration Committee which now seems likely to be created might do for this purpose. And the duty of reporting to Parliament from time to time on matters of Indian finance may be assigned to it. But whatever the form, the Committee should have absolutely no powers of initiating expenditure, else, like the old so-called Board of Control, it will do more harm than good. The Committee should take cognizance of all appeals addressed to it by the non-official members of the Viceroy's Council; and might also call for papers of its own accord, and exercise general control over the administration of Indian expenditure. The proceedings should be reported to Parliament from time to time. If some such body were called into existence, the mere fact that non-official members will be in a position to appeal to it, thereby putting the Government of India and the Secretary of State on their defence, will have a tremendous moral effect, which will make for economy and sound finance in a very striking manner. There is nothing in this which will in any way affect the directive and executive powers of the Secretary of State or the Government of India. The plan provides only for a reasonable amount of control and will enable the representatives of Indian taxpayers, who have no powers of controlling expenditure, to make a complaint in a responsible and constitutional manner.

18,009. You say that there is nothing in this plan that will in any way affect the directive and executive powers of the Secretary of State or the Government of India; but you are vesting in the non-official members of the supreme Legislative Council a power of appeal to an outside body, which should on that appeal criticise, and report to Parliament on, the acts of the executive. Now, without saying that that would contribute to good government or not, that would be a very considerable interference with the executive power of the Secretary of State, would it not?—It would be this way: the Secretary of State or the Government of India might sanction a certain expenditure. This body might ultimately pronounce that the expenditure was not proper. The expenditure would have been incurred already; there would be no help so far, but it would have its effect afterwards.

18,010. Yes; but still, that power of a committee to report hostilely on the Secretary of State's action must be held to affect the executive power of the Secretary of State. It is an interference, surely, with the method in which the Secretary of State exercises his duties?—It would be a sort of control, and that would be necessary; but I do not see how it would be interference with his administrative work.

18,011. The Government would have an outside committee reporting upon their acts. It is very true it may not prevent the Secretary of State from giving an order, but it is a very serious check upon him, which is no doubt what you seek. So far as it exercises that check upon him, it is an interference with his powers, do you not think so?—But your Lordship has already dwelt on the great

importance of the effect of the independent audit. Now, arguing as you are now doing, might it not be said that that audit is an interference with the work of these Ministers? The audit would point out any irregularity, and that would be a sort of—

18,012. The independent audit merely reports whether the expenditure is in accordance with the law, or with Government orders, which are equivalent to law. In this case, as I understand it, the non-official members are to criticise the policy, and this committee of control is to report to Parliament on the policy of the Secretary of State. That is not the same thing as seeing whether the expenditure is legal or not?—The Committee would not veto the action of the Secretary of State or of the Government of India, but they would only report to Parliament.

18,013. (*Sir James Peile.*) Would they take evidence?—Yes.

18,014. And put the Government of India on its defence?—The Government of India would draw up a statement and send it up to that Committee; and, if the members wanted any more information, they might call for it; but we must really have some control of policy of that kind. Thirdly, I would next suggest that as a rule the Council of the Secretary of State should be recruited from persons unconnected with the Indian Executive, and that a reasonable proportion be appointed on the recommendation of the representative members of the Indian Legislative Council.

18,015. (*Chairman.*) Is that the Council you are speaking of now?—No, it is the Secretary of State's Council. I do not disturb the Council very much.

Further, I would suggest that section 55 of the Government of India Act of 1858 be amended. This section as it stands at present enacts that "except for preventing or repelling actual invasion of Her Majesty's Indian possessions, or under other sudden and urgent necessity, the revenues of India shall not, without the consent of both Houses of Parliament, be applicable to defray the expenses of any military operation carried on beyond the external possessions of such frontiers by Her Majesty's forces charged upon such revenues." Now, this only safeguards the controlling powers of Parliament, and does not provide, as is commonly believed, against the diversion of our moneys from their legitimate use, the only thing secured being that the sanction of Parliament shall be obtained for such diversion. No doubt this is good, as far as it goes, but it is not sufficient, and I would press for an express and absolute statutory provision, giving us a complete guarantee against the misappropriation of our revenues for purposes unconnected with our interests. I therefore beg to suggest that section 55 of the Government of India Act of 1858 be so amended as to provide that except in case of actual or threatened invasion, the revenues of India shall not be used for military operations beyond the natural frontiers of India unless, at any rate, a reasonable share of such expenditure is put on the English estimates. I would further suggest that the frontiers of India should be definitely declared by statute, and should not be liable to extension without statutory amendment.

18,016-17. Then your proposal would be that these frontiers having been defined, under no circumstances should India contribute towards any operations outside those frontiers unless a part of such expenditure is put on the English estimates. For instance, supposing it was a question of maintaining the independence of the Suez Canal—that is beyond the frontiers of India—I take it your law would not prevent the Government of India from contributing to the operations necessary for that purpose, provided always that the English Government took a share?—It would come to that. Fifthly, I would urge that the elected members of the Legislative Councils of Madras, Bombay, Bengal, North-Western Provinces, and now Punjab and Burmah, be invested with the power of returning to the Imperial Parliament one member for each province. Six men in a House of 670 would introduce no disturbing factor, while the House would be in a position to ascertain Indian public opinion on the various questions coming up before it in a constitutional manner. I may mention that the small French and Portuguese settlements in India already enjoy a similar privilege. Here, again, I rely more upon the moral effect of the course proposed than upon any actual results, likely to be directly achieved. Though only six in number, the Indian members, acting unanimously on any Indian question, would adequately represent the state of

Indian public opinion on the subject, and Government would have to take note of that. Indian representatives in Parliament would further greatly strengthen British rule in India by giving the Indian people a tangible and gratifying proof of India being really considered a part and parcel of a great and free empire.

18,018. You say truly that six men in a House of 670 would introduce no disturbing factor. Do you contemplate that these Indian members should have full voting powers; in fact, that they should vote our taxes?—Yes, I think so.

18,019. You see no objection from that point of view?—I see no objection.

18,020. Of course, if you had such members representing Indian interests, it would open the door to more interference on the part of Parliament with Indian affairs?—But these men by themselves would not do anything unless they were able to induce others to share their own views; that means something important, I think.

18,021. (*Sir Donald Stewart*) How would you secure unanimity of opinion between the six?—I do not secure it. If they were unanimous on any Indian question, that would mean that public opinion in India was strong upon that point.

18,022. (*Mr. Courtney*.) Your proposal is that each one of the six should be elected by a separate electorate?—Yes. There are the Legislative Councils in the six provinces already elected by the people; and the members of the Legislative Councils should elect a member each.

18,023. (*Mr. Mowbray*.) Might those be either people sent from India or people in England?—Any people; I would impose no restriction.

18,024. With regard to the Portuguese settlements that you spoke of, are the elected members Portuguese residents in India who are sent over to Portugal?—I do not think there is any restriction; they can send whom they please; they must be men in their confidence, that is all.

18,025. (*Mr. Courtney*.) The French have representatives of all their colonies in the Legislative Assembly?—The colonies of England are self-governed, therefore, they do not want representation in the Imperial Government. We are the only dependency without any representative government, therefore we must be provided for either here or there.

18,026. Not quite the only dependency; Ceylon may be much smaller, but Ceylon is a case?—But Ceylon is very nearly a self-governing colony. Ceylon has its Council, which is much more representative than our Council; it is nearly a self-governing colony.

18,027. (*Chairman*) Your proposal is not for direct election of those members whom you would send to the Imperial Parliament; they are to be chosen indirectly, as it were, by a college, namely, the members who have been already elected to serve in the Legislative Councils?—Yes, that would be so. The great advantage that we would then secure is this: At present, private members take up the cause of India, but the officials come down upon them, and say, "These are only self-constituted members for India"; these six Indian members will be men who are really representative of India, and if they are unanimous, that will be of great moral strength to us.

18,028. Have you any suggestions that you would like to make with respect to the Viceroy?—Yes, there is one. The last suggestion that I have to make on this subject is that, as far as possible, Indian Viceroys should be selected from among men who have earned a distinct position for themselves for their grasp of intricate problems of finance. Among the first Ministers of England, no greater names can be mentioned than those of Walpole, Pitt, Peel, Disraeli, and Gladstone; and all these men were great Finance Ministers. I know that men in the very front rank of English politics do not care to go to India, but all the same, if men noted for their knowledge of finance were induced to accept the Viceroyalty of India, the arrangement would produce decidedly beneficial results. It would be a great advantage to all if the Viceroy, instead of being his own Minister for Foreign Affairs, were to be his own Finance Minister. At any rate, his immediate connexion with the Foreign Department should cease, the Department being placed, like other departments, in charge of a separate member of the Executive Council.

18,029. Do you mean by your suggestion that no one should be selected for the post of Viceroy who has not been Chancellor of the Exchequer?—Oh, I do not mean that, because no Chancellor of the Exchequer would care to go to India.

18,030. Well, I put the case very broadly in that way, because you saw that the persons should be chosen among men who have earned for themselves a distinct position for their grasp of intricate problems of finance; I wanted, therefore, to see the class of men to whom you would restrict the field of choice?—I believe that in the debates in the House of Commons some men specially distinguish themselves in the discussions about finance; or there might be persons who have been connected for a long time with the Financial Department; it is so difficult to say definitely.

18,031. What you mean is that such a member as the late Mr. Fawcett was?—Oh yes, the late Mr. Fawcett would have done very well.

18,032. That is the class of men you mean?—That would be a very proper name.

18,033. (*Mr. Courtney.*) But there would be no tangible test of qualities in such a man as that?—The test would be that the man would be willing to take the Financial Portfolio when he goes to India, so that, unless he really liked finance, he would not do that.

18,034. (*Chairman.*) Would not that be open to very much the same objection which I understand you advanced against the present practice in which the Viceroy is his own Foreign Secretary; as I understand your objection, it is that the Viceroy should not be Minister of any special Department, and therefore you object to his being the Foreign Secretary. Might not objection be taken equally well to his being Finance Member?—He should not be Minister of any spending department, that is what I mean; otherwise, he is directly interested in spending.

18,035. Might there not be a certain risk in making the Viceroy a specialist in this way? Important as most of us think finance to be, a man who had only an eye to finance might make in government grievous mistakes, might he not?—Sir Robert Peel and Mr. Gladstone made extremely able Prime Ministers of England, and they were both Chancellor of the Exchequer and Prime Minister at one time, Mr. Gladstone was at one time both Chancellor of the Exchequer and Prime Minister, and so was Sir Robert Peel also.

18,036. But the Viceroy, of course, is the head of the executive Government, and objection has been taken here to the Prime Minister taking a particular branch of administration into his own hands, as a question of principle. Sir Robert Peel was only Chancellor of the Exchequer for a few months in 1834; but, of course, you are perfectly justified in quoting his case, as he was Prime Minister and Chancellor of the Exchequer at the same time. Now we come to the subject of provincial finance?—I now come to the very interesting and important subject of Provincial Finance. While gratefully acknowledging that the decentralization policy has done a great deal of good, even as far as it has gone, I think the time has come when an important further step ought to be taken. It is now 15 years since this policy was carried to the point at which it now stands by the Government of Lord Ripon. The fact that nearly the whole internal administration of the country is in the hands of the Provincial Governments explains why the people of India are so anxious to see the position of Provincial Governments in the matter of finance strengthened much more than it is at present. The expenditure administered by the Provincial Governments is principally devoted to objects which are intimately connected with the well-being of the people, and the larger, therefore, this expenditure the better for them. The chief defects of the existing arrangements are the following:—The "so-called Provincial Contracts," to use Sir James Westland's expression, are really only one-sided arrangements practically forced on the weak Provincial Governments by the Government of India, which is all-powerful in the matter. The contracting parties not being on a footing of equality, the Government of India virtually gives the Provincial Governments such terms as secure the maximum advantage to itself, and the power which it possesses of disturbing the contracts even during the period of their currency leaves the Provincial Governments in a state of helplessness and insecurity, and all this is very prejudicial to the interests of the internal administration of the country. A reference to the tables, given on pages 47 and 48 of that Appendix to Section I. of the evidence recorded by this Commission, will at once show how at each successive revision the Government of India, while keeping to itself all the growth of revenue which had accrued to it as its share of the normal expansion, has,

in addition, resumed a large portion of the share of growth that had accrued to the Provincial Governments, compelling them thereby to cut down their expenditure in the first year or two of each new contract. Thus, taking Bombay as an illustration, we find that in 1886-7, the last year of the Contract of 1882, its expenditure was Rs. 3,998,912. This expenditure had, however, to be reduced to Rs. 3,814,500 in 1887-8, the first year of the next contract, and it was not till 1891-2 that the level of 1886-87 was again reached, when, at the next revision, it was again put back. The same was the case with almost every other province. How sore is the feeling of Provincial Governments on this subject may best be seen from the following remarks, which the Lieutenant-Governor of Bengal thought it his duty to make on the matter in the Supreme Legislative Council last year:—"I must say I deprecate the way in which these quinquennial revisions have too frequently been carried out. The provincial sheep is summarily thrown on its back, close clipped and shorn of its wool, and turned out to shiver till its fleece grows again. The normal history of a provincial contract is this—two years of screwing and saving and postponement of works, two years of resumed energy on a normal scale, and one year of dissipation of balances, in the fear that, if not spent, they will be annexed by the Supreme Government, directly or indirectly, at the time of revision. Now all this is wrong, not to say, demoralizing. I say the Supreme Government ought not to shear too closely each quinquennium. It is as much interested in the continuity of work as the Provincial Governments, and ought to endeavour to secure this and avoid extreme *bouleversements* of the provincial finances It would be an immense gain to local administrations if the Government of India could see its way to renewing the contracts with as little change as practicable on each occasion. It is only in this way that the element of fiscal certainty, which was put forward in 1870 as one of the main objects of decentralization, can be secured. Hitherto we have had but little of certainty." A similar protest was made last year by the Lieutenant Governor of the North-West Provinces from his place in the Legislative Council of that Province; and this year the Government of Madras has addressed a very strong remonstrance against the surrender of an additional 24 lakhs of rupees a year demanded by the Supreme Government.

18,037. You say that the Supreme Government is in a position to secure on revision of the contract the maximum advantage to itself. You have given us the instance of Bombay; but could you give us any general figures on the point?—Yes, I have taken out figures in connexion with the progress of expenditure.

18,038. Could you make use of them just to explain your view to us?—The present contracts are on the basis in which they were made by Lord Ripon's Government in 1882-3. Since then there have been two more revisions. It is interesting to note how the growth of net expenditure has been divided between Imperial and provincial since 1882, when provincial finance was placed on its present basis. Putting together Tables I and 21 of Sir H. Waterfield, we have the following result.

Year.	Total Net.	Provincial Net.	Imperial Net.
	In crores of rupees.	In crores of rupees.	In crores of rupees.
1882-83	41.79	10.98	30.81
1883-84	41.66	10.83	30.83
1884-85	41.90	11.62	30.28
1885-86	45.43	12.27	33.16
1886-87	44.55	12.12	32.43
1887-88	47.37	12.35	35.02
1888-89	46.44	12.52	33.92
1889-90	47.34	13.10	34.24
1890-91	45.66	12.64	33.02
1891-92	49.50	13.60	35.90
1892-93	52.43	13.49	39.03
1893-94	51.87	13.33	38.54
1894-95	52.74	13.12	39.61
Increase in 1894-95 over 1882-83.	10.95	2.15	8.80

18,039-40. You might give us three years (not to give us the whole mass of figures), 1882-3, 1889-90, and 1894-5; I think that that would exemplify what you are contending for?—I would put it in this way: 1886-7 was

the last year of Lord Ripon's provincial contract; the provincial expenditure in that year amounted to Rx. 12'12, and this expenditure was 13'13 in 1894-5. There has been altogether an increase in those 13 years of Rx. 2,000,000; out of that more than one-half was in the first four years.

18,041. You say the provincial net expenditure was 12'27, and in the last year 13'13?—Yes, therefore it is less than one million, but the total is 2'15.

18,042. From the beginning?—Therefore, I mean that during the first four years the increase was more than one half of the total increase.

18,043. Let us put it in this way, if we may; in your first year, 1882-3, the provincial net expenditure was 10'98, that is very nearly Rx. 11,000,000, is it not?—Yes.

18,044. In 1894-5 it was 13'13?—Yes.

18,045. Showing a difference upon that whole period of 2'15?—Yes.

18,046. But now I want you to show the effect of these new contracts by showing what has happened to the Imperial Government?—Yes. If your lordship will allow me, I will read five or six lines I have written in explanation of this table. It will be seen that, while the expenditure of the internal administration of the country has been allowed to increase in 13 years by only a little over two crores of rupees, the expenditure administered by the Government of India has increased during the time by nearly 9 crores. It may also be added that, during the three years of Lord Ripon's viceroyalty which belong to this period, the net Imperial expenditure was not only not increasing, but actually showed a tendency to decrease. On the other hand, more than half the increase in provincial expenditure took place in the first four years, *i.e.*, during the currency of the provincial contracts made by Lord Ripon's Government. Your Lordship will see that the provincial expenditure, for 1885-6 is 12'27; the next year it is 12'12, and then your Lordship might come to 1891-2, when it is 13'60, then there is 13'40 again; it is put back at each revision, while the Imperial expenditure, on the other hand, has been going higher up.

18,047. You point out that over the whole period the provincial expenditure has risen by 2'15 on about 11?—Yes.

18,048-9. While the Imperial net expenditure has risen by very nearly nine on 30. Is the difference in percentage between those two very great?—Well, I fear it is not quite right to put it in that way.

18,050. In rough figures the Imperial expenditure is a little more than three to one of the provincial?—Yes, at the starting.

18,051. Multiply 2'15 by 3 and you would be getting on for 7?—6'45.

18,052. While the increase in the Imperial was very nearly 9?—Yes, nearly 9.

18,053. Therefore you see by those figures that the Imperial net expenditure has increased at a greater rate than the provincial net expenditure?—Yes.

18,054. Your Imperial net expenditure is a limited number of services, I suppose, is it not? You exclude debt, do you not?—The debt, of course, belongs to the Government of India; the Provincial Governments have nothing to do with debt.

18,055. But how do you make up your 30,000,000; what services make up the 30'81 in 1882-3?—Sir Henry Waterfield has given all that in his evidence. You have the Army, for instance, in the first place; then there are certain services which are directly under the Government of India, and there are railways, the deficit on railways; there are some irrigation works also which are still under the direct control of the Government of India; then the home remittances, all these come under the Government of India, whereas the administration of each province is entrusted to the Provincial Government.

18,056. But you see the total net expenditure on these services is only, in the last year of your figures, 52'74?—Yes.

18,057. And, of course, there is a very large sum beyond that to make up the budget of Indian expenditure. What is the difference, because what you call the Imperial net expenditure does not represent the whole of the expenditure of the Indian empire?—No. I have taken the figures given by Sir Henry Waterfield, 52'74 is given net, but he excludes cost of collection; that is a matter of difference between him and us. Then there are

about 25 crores on railway account, that is also eliminated; and then, I think, though the nominal Budget is for 96 crores, the net budget is practically 52·74, according to Sir Henry Waterfield's way of putting it, or about 60 crores according to our view, including the charges of collection. Excluding the charges of collection, and all those other things, it stands at 52·74.

18,058. And those are Sir Henry Waterfield's figures?—Those are Sir Henry Waterfield's figures; I have said that.

18,059. Do you, out of those figures, prove, or consider that you could prove, that the Imperial Government has taken more than its fair share of the increase of these provincial revenues?—Oh, yes, much more than a fair share; if the contracts had continued as they had gone on before, then the Imperial share would have been less, because Sir Henry Waterfield himself gives in the Tables 47 and 48 how much was resumed each time from the Provincial Governments by the Imperial Government. I can give all those figures, if your Lordship please.

18,060. I do not quite see that the Imperial net expenditure proves that, because part of the Imperial net expenditure might have been derived from an increase of the revenues reserved to the Imperial Government?—No, but the facts are here. I will just read them out to your Lordship; I did not put them separately in, because they are all contained in Sir Henry Waterfield's own statement that so much was resumed each time. Here they are. First contract (1870), gain to Imperial Treasury '33. The second contract, in 1877, gain to Imperial Treasury, Rx. '40 million.

18,061. '40 is Rx. 400,000 you may say, putting it very roughly?—It would mean Rx. 400,000 roughly. The third contract was in Lord Ripon's time, 1882-3, when he took nothing from the Provincial Governments. The fourth contract was in Lord Dufferin's time, when the Supreme Government took '64 millions Rx in addition to what was legitimately the increase of the Government of India. In Lord Lansdowne's time, 1892-3, they took again '46 millions Rx. from the Provincial Governments. These are apart from the contributions occasionally demanded; they are separate.

18,062. And you would hold that each of these percentages is so much taken, in addition to the Imperial Government's share of normal increase, out of that proportion which at first, it was thought, might fairly be given to the Provincial Governments?—Yes, it was that.

18,063. And do you make a total out of these?—It would be 1½ millions, or more accurately, 1,800,000l.; it would be like that—all these revisions.

18,064. Rx. 1,800,000?—Yes, altogether.

18,065. And that is the sum that you contend the Imperial Government has taken away from the provincial revenue, which would better have been left in the pockets of the Provincial Governments?—Yes, that is what I think. If your Lordship will look at this table given on pages 47 and 48, of Sir Henry Waterfield's published evidence—he gives here the tables of the provincial contracts, the different provincial contracts—it will be seen that in the last year of each provincial contract the expenditure of the Provincial Governments is much larger; the first year of the new contract the expenditure has to be reduced, because the Imperial Government takes away a large portion.

18,066. If that extra sum were left in the pockets of the Provincial Governments it would increase by that amount, would it not, this Rx. '13 millions which appears against the year 1894-95 in the table?—Yes, it would.

18,067. And, if you took that sum off the Imperial net expenditure and added it to the provincial net expenditure, the position would be reversed, and the provincial net expenditure would have increased at a greater rate than the Imperial net?—No, it would not quite come to that.

18,068. Just put the figures for yourself?—There is Rx. 13·13 millions.

18,069. And adding Rx. 1,800,000?—But Rx. 1,800,000 is from the beginning, from 1870, taking the first contract.

18,070. Taking the year?—For the purposes of my table, we must add these last two figures only.

18,071. It will quite suffice; you have given us Rx. 1,800,000 as your figure?—That includes also the resummptions of 1870 and 1877, since the first original contract was made. Beginning with 1882-83, there were only two resummptions, one by Lord Dufferin and one by

Lord Lansdowne; they come to Rx. 1,100,000 millions, '64 and '46; those are the only two.

18,072. That is, 1·1 p.—Yes.

18,073. Add it to 13·13 you get 14·23 p.—14·23.

18,074. Take 1·1 off 39·61 and you get 38·5 p.—38·5.

18,075. The comparison would be 14·23 against 38·5 p.—Yes. Then it would be like this; it would be a little over 3, on the left side, the net provincial. I deduct 10·98 from 14·2. Then that would give 3·04 as the provincial increase. On the other side I take away 1·1 from 39·61, that would mean 38·5, and from that I take away 30·81; that leaves 7·69.

18,076. Therefore, you say, if that were done the proportion would be reduced very much?—Well, slightly; not very much.

18,077. But it would be reduced?—Yes; but it should be remembered that the level of the expenditure, the imperial level and the provincial level, are not based on any proportion; there are certain revenues that go exclusively to the Government of India.

18,078. That was why I wanted to draw your attention to this table, because it seemed to me that you could not really compare the two services, the provincial net and the imperial net; different causes were acting upon them?—But where they actually resume provincial revenues that constitutes—

18,079. Confining yourself to the Rx 1,800,000, which, in your opinion, ought to have gone to the Provincial Governments; if that had been done, would it not have necessitated increase of taxation in order to meet this Imperial expenditure charge?—As your Lordship has brought out in one of the questions recorded in the evidence when there is a special reserve available, then the expenditure has a tendency to increase; but when Government has to face the unpopularity of imposing extra taxation, it would think twice before it increased expenditure. Meanwhile, if the money had gone to the Provincial Governments, education, police reform, separation of judicial and executive functions, these very necessary reforms would have been carried out.

18,080. Carrying out that argument, would you reduce the Imperial revenue to *nil*?—Oh, certainly not.

18,081. In order that the Imperial expenditure might be correspondingly reduced?—But there is ample provision already; they have already secured to them a certain portion of the normal increase.

18,082. That is rather an assumption, is it not? We are supposing that competent authority—I do not say they are right—thought that this increase of expenditure was necessary, it would have involved increase of taxation?—That only means that we have to say nothing against what the Government of India may do. It comes to that ultimately. I would only say this, that the Provincial Governments are as much interested in the good government of the country as the Imperial Government. They are certainly not irresponsible, as some of us are called—these Governors, Lieutenant-Governors, and when they say, "You should not take so much from us"; that means something.

18,083. Did you not say that the heads of Departments did not care for finance, but only cared for the efficiency of their Departments. Does not the same thing apply to the Provincial Governments, and will not their tendency be to look simply to the efficiency of their own government, with a certain carelessness as to what the Finance Member might in the end have to do in the way of increasing taxation?—All English officers think of the safety of India first, and second to that, they think of the success of their own administration. Besides this tendency of which your Lordship has spoken, in itself does not deserve to be condemned; it depends on what the department is in regard to which it is exercised. If the Provincial Governments want to increase their expenditure, we think that is perfectly legitimate; when the Imperial spending departments, military and others, want to increase their expenditure, we feel we must protest—that is all.

18,084. Therefore, if the Judicial Department wanted to increase its expenditure, they must necessarily be extravagant, but if the Provincial Government want to improve a service, that necessarily is economical?—But the Judicial Department is under the Provincial Government.

18,085. Take an Imperial service then?—The Army.

18,086. The Army is struck off; give me another instance?—The railways.

18,087. Whatever is imposed by the Imperial Government by way of increase of expenditure on railways must be extravagant?—I do not say quite that.

18,088. But whatever is proposed by the Provincial Government must be economical?—I do not say that; but the Provincial Governments deal directly with matters which are properly connected with the enlightenment and progress of the people. And our Indian people's view at all events is that we are more interested in provincial than we are in Imperial expenditure. Of course, this is our criticism of what the Government have been doing; the Government must certainly be able to allege reasons on the other side, else they would not have done it.

18,089. But each department is interested in its own efficiency, and has the same tendency to, I will not call it extravagance, but to free expenditure, which perhaps the general finances will not bear; and there is the same tendency on the part of the Provincial Government as there is on the part of the Imperial Government?—That is true; but if the educational department, for instance, wanted to increase its expenditure, I would welcome that tendency; if the military department wanted to increase its expenditure, I should be very jealous and would protest.

18,090. But, on the whole, your plea is one for additional expenditure?—Yes. The Provincial Governments must increase their expenditure very much.

18,091. And, in consequence, have additional taxation? You would give this 1,800,000*l.* over to the Provincial Governments to spend?—Yes, I would.

18,092. You have got no means of showing that the Imperial net expenditure could be reduced by that sum; would that be possible?—That might be possible.

18,093. But you have got no means of showing so. If that is not possible then the whole expenditure of India would be increased by 1,800,000*l.* Your plea, therefore, in that case would be for an increase of expenditure, and, inasmuch as it is only about equilibrium at the present moment, that would be a plea for increase of taxation; must not that be the result?—I have faith in the Government's fear to face the unpopularity of increased taxation, and they will reduce their expenditure, I think.

18,094. Now will you pass on to some further remarks upon the principle upon which these contracts are based?—I have pointed out one defect of the provincial contracts, namely, that they are one-sided arrangements forced upon the weak Provincial Governments by the powerful Imperial Government. Secondly, there is no fixed or intelligible principle on which these contracts are based, no uniformity in their plan, no equality in the burdens which they impose on the different provinces. The share of Imperial expenditure which the different provinces have to bear is not determined by any tests of population or revenue. A calculation made by Sir James Westland, and printed on page 400 of the second volume of the Finance Committee's report, gives the following results:—

The proportions or percentages of revenue surrendered by each province to the Supreme Government are as follows:—

	Per cent.
India Districts (General)	26
Central Provinces	56
Burmah	58
Assam	51
Bengal	68
North-West Provinces	76
Punjab	45
Madras	52
Bombay	46

The contribution of each province per 100 of the population is as follows:—

Province,	Rupees contributed per 100 of Population.
Central Provinces	Rs. 71
Burmah	312
Assam	97
Bengal	107
North-West Provinces	177
Punjab	82
Madras	123
Bombay	155

These figures are sufficient to show the totally arbitrary character of the present contracts. The fact is that these inequalities are a legacy from the pre-decentralization period, when the expenditure of the different provinces was determined, as men like Sir Charles Trevelyan, Sir John Strachey, General Chesney, and others have put it, not by the resources or requirements of those provinces, but by the attention that their Governments succeeded in securing from the Central Government, i.e., by the clamour that they made. And when the first step was taken in 1870 in the matter of decentralization, the level of expenditure that had been reached in the different provinces was taken as the basis on which the contracts were made, and the inequalities that then existed were, so to say, stereotyped. I think it is high time that an effort was made gradually to rectify these inequalities.

18,095. Then your criticism in this matter is, not so much that there should be one uniform percentage levied on the provinces, as that the present division is a purely arbitrary one, not based upon the ascertained requirements of the provinces, or their claims upon the central Government for special consideration, but a hand-to-mouth arrangement, based upon a state of things which existed before the new provincial system was introduced?—That is so, and also this, that the burdens ought to be more fairly distributed. It is very hard on certain provinces—for instance, Madras is very hardly treated; we are better off in Bombay, but the North-West Provinces are very badly treated also. And there is another point, Government has now added Burma. This new province required a large outlay to begin with, that burden has to be shared by all the other provinces without any principle, so, if there was any limit like that, the burden would be thrown equally upon all.

18,096. The proportion of revenue surrendered by Burma to the Supreme Government was rather a high one—58 per cent.—That was Lower Burma. This was written in 1886 by Sir James Westland when he had the Accounts of 1884 before him; Upper Burma was not annexed at that time.

18,097. But even at that time is it not the case that Lower Burma was an expensive province to the Imperial Government?—Lower Burma was not.

18,098. Not at that time?—And there is another peculiarity. Burma is very thinly populated, so that the number of rupees contributed per 100 of population is 312; and, if your Lordship will look at the proportion of revenue surrendered by Burma, it will be found to be 58 per cent., or more than one-half.

18,099. That is the figure I have before me, and your contention would be, therefore, that the contribution required by the Imperial Government was excessive in Burma?—Yes, it would be that in Lower Burma; I am not referring to Upper Burma, which was annexed in 1886.

18,100. No, I quite understand. Now, take another of these provinces, and perhaps you would apply the same reasoning to that—any one you like?—Say the North-West Provinces. They are called upon to contribute 76 per cent. of the revenue to the Imperial Government, and Bengal is called upon to contribute 68 per cent.

18,101. Now, has the Imperial Government to contribute very largely in return to the North-West Provinces?—I do not think so. They do not contribute to any of the provinces.

18,102. And you base upon that your contention the rate of contribution is entirely arbitrary in each case?—That is what I say. It is, moreover, the official view itself. Sir James Westland, who is now Finance Member, himself constructed these tables.

18,103-4. But you are not in any way arguing for a rigid 50 per cent. to be levied, we will say, from all the provinces?—That should be the ideal that we should keep before ourselves, and it should be gradually reached; that is what I mean. I will explain how that could be reached afterwards; in fact Sir Charles Elliott's proposals aim at that.

18,105. Perhaps you will proceed?—Thirdly, the third defect of the existing schemes is that, while it operates as a check on the growth of provincial expenditure, it imposes no similar restraint upon the spending propensities of the Government of India. The only way by which these defects could be remedied was clearly pointed out by four members of Lord Dufferin's Finance Committee. They were the President, Sir Charles Elliott, late Lieutenant-Governor of Bengal, Sir W. W. Hunter,

Mr. Justice Cunningham, and Mr. Justice Ranade. In a note which they submitted to the Government of India on the subject, they made the following four proposals, and urged that their adoption would be attended by very beneficial results:—(1) That there be no divided departments, but that those departments of receipts and expenditure which are now wholly or almost wholly Imperial, or which it may be found convenient to make Imperial, should be set on one side for Imperial purposes, and that the receipts and expenditure of the provincialised departments should be entirely provincial. (2.) That whatever the sum be by which the Imperial expenditure exceeds the income from those sources of revenue which are not provincialised, that sum should be declared the first charge on the Provincial revenues. So this provides fully for the interests of the Government of India.

18,106. But would not the result be very much the same as it is now?—No, it is not so. The scheme, in the first place, secures greater fixity to the Provincial Governments.

18,107. Do you propose to show that to us afterwards?—Yes. (3.) That the provincial surplus which arises from the excess of receipts over expenditure should be the fund from which, in the first place, all Imperial necessities should be met before any increase can take place in provincial expenditure. (4.) And that as regards the future growth of revenue, it should, as far as possible, be divided equally between Provincial and Imperial, subject to the condition that if the Imperial exigencies ever required a larger share, the Imperial share should be increased. Taking the accounts of 1884-85, Sir Charles Elliot and the other members thus illustrated the working of their scheme: They proposed that opium, salt, customs, tributes, post office, telegraph, mint, interest on debt, superannuation receipts and charges, the East Indian, Eastern Bengal, Guaranteed and Southern Maratta Railways, military works, Army, exchange and home charges, should be wholly Imperial, and that the Government of India should also bear the charges and receive the revenues of the Imperial districts; i.e., the parts of India which are not included in the provinces. On the other hand, they proposed that land revenue, stamps, excise, assessed taxes, forests, registration, and the civil departments should be wholly Provincial, such heads as stationery, printing, miscellaneous, and railways, canals, and other public works as were already Provincial continuing to remain so. The accounts of 1884-85, excluding Provincial rates, were as follows:—

	(In Thousands of Rupees or Hundreds of Rx.)		
	Imperial.	Provincial.	Total.
Revenue - -	503,569	175,537	679,106
Expenditure - -	505,066	174,854	679,920

These accounts, on the basis of readjustment suggested above, would have stood thus:—

	(In Thousands of Rupees or Hundreds of Rx.)		
	Revenue.	Expenditure.	Surplus or Deficit.
Imperial - -	326,799	505,365	- 178,566
Provincial - -	354,307	176,559	177,748

Your Lordship will notice that Rx. 35,000,000 is the revenue at the disposal of the Provincial Governments, out of which Rx. 17,000,000 they spend for themselves, and the rest they hand over to the Imperial Government. This means that on the basis of division proposed, the provinces would have to pay about 17½ crores, i.e., about 50 per cent. of the revenues made over to them to the Imperial Government to enable the revenue of the latter to come up to its expenditure. This scheme, if adopted, would have the following advantages over the existing arrangements:—

(a.) It would remove all irritation at present felt by the Provincial Governments and secure to them, under ordinary circumstances, half the normal growth of revenues in their provinces, enabling them thereby to make steady efforts towards the progressive improvement of the internal administration of the country.

(6.) It is, of course, not possible to secure *at once* complete equality in the burdens which the Imperial expenditure imposes upon the different provinces. Provinces that contribute less than half their revenue to the Imperial Exchequer, cannot be suddenly called upon to reduce their own expenditure and pay their full share with a view to reducing the share of those that at present contribute more than half. Existing facts after all must be respected and the present level of expenditure in the different provinces must be left untouched. But the effect of contributing to the Imperial Exchequer an equal portion of all future increase in revenue (*viz.*, 50 per cent.), will be that year by year the relation which the contribution of province bears to its revenue will tend more and more towards equalization. Thus the provinces which now pay, say, 60 per cent. of their revenue will, after paying only 50 per cent. of their increase for some years, be found to have dropped down to a ratio of 58 or 57 per cent. And similarly in the provinces which pay less than 50 per cent. at present, the ratio will constantly work itself up to 50 per cent. The proposed scheme, while making ample provision for the necessities of the Central Government, imposes at the same time something like a check on its spending propensities. It secures to that Government the entire normal growth of the imperialised items of revenue and also half that of the provincialised items, and leaves to it besides the power to demand more than half in times of sore need. But it is expected that in ordinary years more than half the normal growth of provincial revenues will not be devoted to non-provincial purposes. The adoption of the scheme will place the financial system of India once for all on a sound basis and will bring it more in a line with the federal systems of finance in other countries, such as Germany, Switzerland, and even Canada and the United States. In these countries, so far as I have been able to gather, the central and constituent governments have their separate resources, but the latter are called upon in Germany and Switzerland to make special contributions on extraordinary occasions. There is one safeguard which I would add to the foregoing scheme and which, I think, is very important. It is this, that the Government of India should have no power of claiming for itself a higher proportion of the provincial increase than 50 per cent., except in those extreme cases described by Lord Ripon's Government as dire necessities, and that, whenever in the opinion of the Government of India those extreme cases arise, a formal declaration of the grounds on which such opinion is based should be drawn up and sent to the Secretary of State to be placed by him before Parliament. Moreover, the increase should not be allowed without the sanction of the Secretaries of States, so that the Provincial Governments, if they wanted to protest against it, would have an opportunity of doing so. I am confident that the Provincial Governments in India will welcome such a settlement of the question. Before concluding this portion of my evidence, I may be permitted to remark that it would have been a matter of general advantage if representatives of Provincial Governments had come here to give evidence on this subject before the Commission.

18,108. I have a question to ask you on the proposal you make; but first of all, could you explain what you mean by expressing the wish that representatives of Provincial Governments should come here? Do you mean by that that witnesses from the Bombay and Madras Governments should have been invited to come over to give evidence?—On this particular subject of provincial finance.

18,109. Your criticism upon what the Commission have done is that they have restricted themselves to hearing the evidence of people who represent the Central Government?—Yes. I do not criticise what the Commission have done. I only say that it would have been well if the Central Government in India had asked the Provincial Governments to send representatives to give evidence.

18,110. I quite understand. You say that, if the suggestion which you have explained to us were carried out, it would remove all irritation at present felt by the Provincial Governments; but do you not think that there would be a certain feeling of irritation in the Provincial Governments if you not only doubled their income—which you would do if you increased it from 17½ millions to 35—but immediately afterwards took part of that away from them to give to the Imperial Government?—I do not think so.

18,111. Do you not think that there would be a little irritation?—No, there would be no irritation. They would know, of course, that they have to provide for the Imperial Government, as at present, but the great

advantage of that scheme would be that 50 per cent. would definitely belong to the Provincial Governments and 50 per cent. would be all that would be taken away.

18,112. You give the analogy of Germany. Have you never heard that in Germany there is a very great deal of irritation felt over what I think they call the *matricular* contribution; the tendency of the Empire is to increase that *matricular* contribution, and—I am only speaking of what I have read—that increase does not tend to make the relations between the subordinate governments and the Supreme Government more pleasant?—It was very much to be wished that exactly the same state of things reproduced itself in the Government of India so far as the relations of the Provincial and Supreme Governments are concerned. There would then be some guarantee that there would be some check on the tendencies of the Imperial Government; at present it has things all its own way.

18,113. I do not see where the check on the Imperial Government would be, if the Imperial Government at the end of the time said "We have spent so much, hand it over"?—No, it would not be that; the contract would be there. If at the end of the year they were able to show that some dire necessity had arisen, they would come first of all to the Secretary of State; that is what I have provided. The Provincial Governments would then put forward their views, and the Secretary of State's sanction would be necessary, and the whole matter would ultimately come before Parliament. That is all that can be done at present; I wish more could be done, but it does not seem feasible.

18,114. We will say at the present moment the expenditure of this test year is 50 millions; you take that as the existing expenditure?—Of 1884-5.

18,115. I am taking it for that year?—Yes.

18,116. And the revenue which the Imperial Government enjoyed in that year was a sum slightly in excess of that?—Yes.

18,117. Under the reform which you have brought before us 17½ millions of that surplus would be taken away from the Imperial Government?—Yes.

18,118. But it would be handed over to the Provincial Governments simply to get taken again?—But there would be this advantage, the departments would once for all be classed as provincial and Imperial, so that the Budgets may be separate, everything may be separate, and there need not be this complication which is inevitable at present. The present theory is a very defective theory; all the revenues belong to the Government of India; they are only nominally received by the Provincial Governments in trust for the Government of India, and then the Imperial Governments hands over to the Provincial Government so much. Under my scheme there would be a complete division of resources.

18,119. Now we will confine ourselves to the advantage of distinctness of account. We will call it that, instead of the Provincial Government levying taxes on behalf of the Imperial Government, they would levy these taxes on their own behalf; but as soon as they had done that, they would immediately have to give over in this particular year this very large sum to the Imperial Government. It seems to me to leave matters very much where they were before, and up to this point you have provided no check upon the Imperial Government. From what you have told us I think you see your way to providing a check; I think you told us that, as far as the growing revenue was concerned, not more than 50 per cent. was to be taken by the Imperial Government; is that the safeguard upon which you rely against extravagance on the part of the Imperial Government?—One of the safeguards.

18,120. What were the others?—The other is that, if the Government of India wanted more, then it must draw up a declaration to come before the Secretary of State, and the declaration must go before Parliament. Of course necessities must be provided for, but there would be this, that they would not care to submit themselves to all this, unless the occasion were really an urgent one.

18,121. But, in the meantime, the expenditure is going on, and the Imperial Government finds it necessary to incur expenditure; how would it incur it, when one-third of its revenue was taken away?—But there are large balances which the Government of India has; surely extraordinary expenditure might be met out of them, and it has powers of borrowing also.

18,122. We are told that these balances are only care-fully adjusted to the present necessities, and, if you made further demands upon it, the Government would have to have bigger balances. When an extraordinary occasion arises, they must draw on their balances?—As a matter of fact, there are no stringent limits about their balances; sometimes they drop down to 12 crores, sometimes they amount to 23, and so on.

18,123. It has been put before us by the responsible officers that the balances, as they at present stand, are not, on the average and in the main, excessive for the present needs?—Yes.

18,124. But, if the Imperial Government, carrying on its expenditure, cannot draw upon the Provincial Governments until the Provincial Governments have made an appeal home, and the Secretary of State has heard both sides and sanctioned the transfer of the sum, it appears to me that the Central Government must have very largely increased balances out of which to provide in the meantime?—But how much does it take at a time from the Provincial Governments? Not much, after all, whenever it demands these contributions; it took, for instance, at one time less than a million, and at another time less than a million.

18,125. But, in this case, your proposal takes away at once one-third of the revenue of the Imperial Government?—Yes.

18,126. (*Mr. Courtney.*) That is only, as I understand it, when the arrangement is first made; after you have made your arrangement for allocation of revenues, and your distribution of accruing revenue and surplus, the whole machinery would be automatic?—Yes.

18,127. And that is your best guarantee; there would be an automatic revenue received by the provincial administration, and an automatic share given to the Central Government?—Yes, that is what I mean.

18,128. And so, if after three or four years a crisis arose, in which the Central Government was pinched, it would have to make a solemn declaration of the special circumstances of its situation, which should be forwarded to the Secretary of State, who would then sanction an indent upon the provincial revenues?—Yes, exactly; my case has been very fairly put; that is exactly what I mean. The only thing that I would add to that is, that, whenever the Government of India resumes an additional portion of the surplus of the Provincial Governments, the portion does not come at once; it is only a small dribble at the beginning, but it secures that portion to itself permanently. So it is not of much immediate importance in the case of a real emergency, which wants a large expenditure at once. If the emergency was not a pressing one, but if the Government of India wished to increase its expenditure permanently, there would be time for them to go to the Secretary of State and get his sanction.

18,129. (*Sir James Peile.*) A deficit in the Imperial Budget would always be an emergency such as you would look to?—No, I do not think so.

18,130. Why?—They may meet a deficit out of their own resources, out of the balances for the first year; they do not keep the balances at a specified level; there have been many years where they have reduced the balances, and the next year, when they have better revenues, they make them up.

18,131. (*Mr. Courtney.*) Your hope would be that, with this chasm lying before them, they would always pull up in time?—Yes, that is what I mean.

18,132. (*Sir James Peile.*) But, if they did not meet a deficit out of the balances, they would have to meet it by extra taxation, would they not?—Yes, they have that power also of extra taxation, and I would not touch their power in that respect.

18,133. (*Chasman.*) But you are only going to allow the Imperial Government, under any circumstances, 50 per cent. of the increase of the proceeds of taxation?—Yes, 50 per cent. of the provincial revenues, in addition to the whole 100 per cent. of its own revenues.

18,134. The whole of its own, yes; but only 50 per cent. of the increase of the provincial, and, therefore, to that extent you increase the powers of the Provincial Governments to spend?—Yes.

18,135. That being the case, it is very probable, is it not, that the Imperial Government would find itself short?—I do not think so. In the year taken by Sir Charles Elliott it required 50 per cent. of the provincial revenues to make

up its budget; last year also in the Supreme Legislative Council this same point was pressed by a non-official member, and on that occasion he divided the Budget in the same manner as this. Last year the Budget was, say, 96 millions; out of that 48 were Imperial and 48 provincial, according to this scheme. Well, out of that 48 the Provincial Governments spent 24, and had contributed 24 to the Imperial Treasury, so that the scheme would automatically work like that. The Imperial Budget would be the Imperial receipts, plus contribution from the Provincial Governments; the provincial Budget would be so much revenue, minus so much contribution to the Imperial Government.

18,136. What you want really to do is, is it not, to secure to the Provincial Governments of India what you think is a fairly sufficient revenue with which the Imperial Government could not meddle?—That is my object.

18,137. And, in order to get that end, you would not mind leaving the Imperial Government to the necessity of imposing extra taxation which otherwise might be avoided?—Well, they avoid it at present by starving the most useful things; I do not approve of that; they starve education, and all that.

18,138. But it is necessary that we should understand whether you do not shrink from extra taxation in order to secure to the Provincial Governments that revenue?—I do not shrink from that, because I know that the Government would not care for that unpopularity, and that the taxable resources are nearly exhausted now in India.

18,139. Now we come to the progress of expenditure, and, perhaps, you would give us your view upon that subject?—Yes. Our expenditure shows a large and continuous growth since the transfer of the Government of India from the Company to the Crown, and recent changes in the frontier policy have accelerated its pace in an alarming manner. Excluding railway receipts, the average expenditure for the five years preceding the Mutiny was about 30 crores. It now stands at over 73 crores, nearly 2½ times what it was before the Mutiny. Increase of expenditure, taken by itself as a feature of national finance, is not necessarily open to any serious objection. Everything depends in this matter on the nature of the purposes for which the increase has been incurred, and the results produced by such outlay of public money. In the United Kingdom, in France, in Italy—in fact, almost everywhere in Europe—there have been large increases in national expenditure during the last 30 years; but the increase in Indian expenditure during this time differs from the increases elsewhere in a most fundamental respect. While increased expenditure in other countries under proper popular control, has, so far as we are able to judge, helped to bring increased strength and security to the nations and increased enlightenment and prosperity to the people, our continually growing expenditure has, in our opinion, under autocratic management, defective constitutional control, and the inherent defects of alien domination, only helped to bring about a constantly increasing exploitation of our resources, has retarded our material progress, weakened our natural defences, and burdened us with undefined and indefinite financial liabilities.

18,140. May I stop you there for a moment and ask you what you mean by "increasing exploitation of our resources has retarded our material progress"?—Yes. What I mean thereby is this: The resources of our Empire are really vast; but the great difficulty in India is about capital, and we are unable at present to take advantage of these resources ourselves, but our hope is that in course of time we might be better able to spend money in that direction, and then we should be able to utilise our resources for ourselves. At present, owing to the vigorous manner in which railways are constructed, and the way in which foreign capitalists are encouraged to invest their money in India, the result is that we get only the wages of labour, while all the profits that are made there are taken out of the country and our resources are being utilised by others.

18,141. Therefore, you would prefer to have gone without the railways all this time, and your idea of improving the material prosperity of India would have been to have adopted none of these improvements such as railroads, which most people think tend to develop a country?—Well, I am not quite so sweeping in my assertion. I do not mean that the railways themselves are to be condemned—all the railways—but the manner in which the Government are going in for more and more railways, starving more useful things, is an objection and this has resulted in the exploitation of our resources by of the indigo, tea, coffee, and other planters. The policy of free trade has,

moreover, been forced upon us too early, thereby destroying all our important industries that existed before, and throwing all the people on the precarious resource of agriculture.

18,142. Do you consider it a great drawback in the development of Indian resources that a great tea trade has been established, which has gone very far to put England in the place that China formerly occupied as supplying India with tea?—So far that would be an advantage, but the profits go to Europeans; and if we were able to accumulate capital the—

18,143. But if this capital had not come from this country, this new industry would not have been developed?—That is so.

18,144. It is quite open, at the present moment, to Indians to use their large resources, if they are large resources, in cultivating this tea; but apparently they do not do it?—We have very little capital to invest in these industries.

18,145. And, therefore, no improvement would take place; therefore, at the present moment, you would be cultivating as you were 50 or 100 years ago, because you have not got capital, and in such a case is it not an advantage to the country to be able to borrow capital, and borrow it cheaply, in another country, in order to help the development of its resources?—But if I had a vast property myself, I would rather allow that property to remain as it is, with the consciousness that I may make full use of it when I had the means, rather than allow somebody else to come and use it and give me only a pittance, the outsider getting all the rest; it is *my* property.

18,146. I only want to understand your view. You would have had no railways; you would not have had very good roads, I think; and none of these trades would have been developed. Do you think that that would have been for the benefit of India?—I did not say that there should have been no railroads at all; but my complaint is about the manner—

18,147. I think you say, in one part of the paper which you have given me, that you think that at the present moment railroads ought only to be executed out of surplus revenue; that is to say, that India should make her own railroads?—Yes.

18,148. It is another form of saying it?—Yes.

18,149. And that principle you would have applied from Lord Dalhousie's time forward?—No, I should not have done that. I think we must be up to the times after all; and the main trunk lines would have been constructed.

18,150. Therefore, it is only a question of difference of degree; the main policy was right, and the main policy was a benefit to India, inasmuch as it introduced these improvements which have been adopted by every other country under the sun; and, on the whole, you would not have liked India to have been left entirely without a share in these improvements. Your difference of opinion with the Indian Government is that they had been pushed too far?—That is one; and I look at the motive power which sets in motion the whole machinery. No Viceroy goes out to India, but a body of merchants waits upon him in England and says, "You must do something for railroads," and so on; there is a feeling in India that these railroads are mainly undertaken in the interests of the English commercial classes. We have got the main trunk lines; we would rather go without the others.

18,151. What I understand is that the foreign English capital should have made the main trunk lines, and nothing more should have been done, unless out of surplus revenue. I think you have rather minimised the surplus revenue; that amounted to very little, in your opinion, did it not; at the present moment the surplus revenue is not very much?—Yes.

18,152. And, therefore, you would be practically putting an end to all railroad expenditure at the present moment?—They might make economies and have a larger margin; if they are really anxious for these railways they might make economies and have a larger margin, and devote that margin to railways if they please.

18,153. (*Sir William Wedderburn.*) They need not have expeditions to Chitral?—They might very well dispense with those; that is what we think.

18,154. (*Chairman.*) This, of course, is a perfectly fair argument to put forward; but it is always accompanied by the argument on the other side that competent people

thought these things necessary?—That is so; but in the House of Commons the members who criticise are not military experts themselves and yet they do not feel themselves debarred from criticising.

18,155. Will you tell us how the making of railroads has retarded your material progress, because you say "that the increasing exploitation of our resources has retarded our material progress"?—Well, this free trade policy that has been thrust on the country has killed all our industries. No colony has accepted this policy. The result is that our people are growing poorer and poorer, because they are all thrust back on agriculture. Sir James Caird, in his report, says that there are so many idlers now connected with land, I believe half the number would do the agricultural work; and the other half are kept on land because they have nothing else to do, and the result is so much labour is practically idle there; and the old industries that we had are swept away under the competition of steam and machinery; so that has retarded our progress.

18,156. Then the opening of fresh trades must have the opposite effect, must it not?—But that is very little; we get only wages there, and everything else goes out.

18,157. Quite so; but you speak of the people not having anything else to do except being on the land, the consequence being that too large a population, as I understand, are being employed on the land. Any new trade opened must find larger employment for the people, and, therefore, be beneficial?—Your Lordship should take both parts of my scheme, namely, protection coupled with that. Then, of course, our other industries also would remain; and the result of it would be that our unemployed would find work there. After all, it is the ideas that mould these activities; and our contact with the West has given us the necessary ideas.

18,158. I want to keep to the question I was putting to you?—Yes.

18,159. Namely, there are too many people on the land?—Yes.

18,160. The opening of fresh trades, and thereby finding fresh employment, must rather tend to relieve that glut, must it not?—That is true, so far as it goes.

18,161. And, therefore, when you get within 50 years an enormous new trade like that—I think I am right in calling it enormous—there is a tendency in that direction, is there not?—Economically I must admit that it has a tendency in that direction; but I do not approve—

18,162. I am only taking that as an instance; and any development of Indian resources, that gives employment to labour, has a tendency to relieve this glut, has it not?—Yes; but those men were already employed before; not these exactly, but those who represented them in the old days.

18,163. But you have just told us that there are too many on the land now?—Yes, because our industries have been killed by free trade.

18,164. And when other industries are opened up, they tend, so far as employment is concerned, to redress the balance?—That is true; but you should never have forced free trade upon us and killed our industries.

18,165. Then your remedy is protection?—Yes. India needs protection very badly; that is my view.

18,166. Then it comes to that, that your remedy is protection?—Well, yes; though the evil has already been done.

18,167. Is the feeling that protection is necessary universal throughout India?—So far as I know that is the general feeling. We are like the colonies in that respect.

18,168. (Mr. Naoroji.) What is the reason they were not able to take up these industries, such as tea or any of these industries, or any of these enterprises which the foreigners came and took possession of; is it not because our capital is carried away from the country?—Yes, that is so.

18,169. Is not that at the root of the whole thing?—Yes; it is at the root of the whole thing.

18,169A. If that were not so, and we were able to preserve what we produce, we should be able to welcome the foreigners to do what they liked, and we should be able to compete on equal grounds with them?—Yes, exactly.

18,170. Otherwise we are reduced to mere labourers, hewers of wood and drawers of water; whereas of the profits of all these new improvements and trades and manufactures introduced into the country now nothing

remains; those profits are all taken away by somebody else?—Yes.

18,171. Because we ourselves cannot devote our money or our capital to the subject; is not that so?—That is so; I would give one illustration which would make my meaning clear. It is like a house in which there is only one person, and that is a paralytic, and there are a number of good things in the house. The person himself can take no advantage of those good things; but other people come in, throw a pittance to him and take away all those things; it is almost like that?

18,172. (*Chairman.*) Take them away? But they buy them?—Well, they say they buy them.

18,173. There is a price given for them?—But only a very inadequate price.

18,174. Take the case of a railroad; that costs money to make, does it not?—Yes, it does.

18,175. That has been supplied from here?—Yes.

18,176. Is not that buying? Is not that a case of buying a portion of the receipts of the railroad back again. If England sends over 500,000*l.* worth of rails which are laid down, for the moment that costs India nothing. England buys a certain share of the proceeds of this industrial undertaking by providing these rails; is not that an exchange between the two countries? That is not taking the things out of the Indian's house without paying for them?—I do not say without paying; you throw a pittance to us in the shape of wages; the profits are all taken clean out.

18,177. Is it not the case that the whole work has been done, or the great part of it has been done, by goods which Englishmen have bought and sent over?—Yes.

18,178. Plant?—Yes.

18,179. And in all fairness has not the return been a perfectly fair bargain between the two countries?—But they are our resources; why should English capital alone find its investment there?

18,180. But there is nothing to prevent your resources, being employed, only you say you have not got them?—The natural resources are our own, the land is our own, everything alone is our own.

18,181. At all events you could subscribe to these railroads and find the capital for them, but you do not?—We have no capital.

18,182. As far as I understand, the English Government would be only too glad if you would pour out your accumulated wealth to buy these railroads, but you will not?—There is not much accumulated wealth.

18,183. (*Mr. Naoroji.*) Is it not the case that we cannot buy them because our capital is taken away by somebody else?—Yes, what would otherwise be our capital.

18,184. We have not the capital to pour out, otherwise we would be only too willing to devote it, and leave the foreigners also to come in with their capital?—Yes; if what the nation might have saved in normal circumstances had remained in the country we might have been much better able to take advantage of those resources.

18,185. (*Chairman.*) I think we had better pass on?—Compelled to meet the demands of a forward Imperial frontier policy and the exigencies of consequent Imperial defence, and constantly borrowing for commercial enterprises, often undertaken in consequence of the pressure of English commercial classes, our Indian Government has little money to spare, with all its increase of taxation, for purposes of national education. Nor has it been able, amidst constant embarrassments of the military budget, to forego some prospective land revenue by granting the boon of a permanent settlement to provinces ripe, and more than ripe, for the concession under the conditions laid down in Sir Charles Wood's and Sir Stafford Northcote's despatches (1862 and 1867), nor again has it found itself during all these years in a position to carry out pressing administrative reforms like the reforms of the police, and separation of judicial and executive functions. It is this feature that marks the difference between the growing expenditure of British India and that of other countries, and constitutes our national grievance in respect of the administration of our national expenditure. Whereas the capacity of the country to bear increased burdens is growing perceptibly less, our expenditure, under the existing conditions of administration, is rising higher and higher, necessitating a heavy incidence of taxation, exhausting all our fiscal reserves, and, what is still more alarming, thrusting on our hands expanding responsibilities.

18,186. Are you prepared to prove that the capacity of the country to bear increased burdens is growing perceptibly less?—I think so. These famines—this present famine, for instance, and the suffering that it is causing—that is good evidence on the point. The people now go down at the first touch of famine.

18,187. But when you say that the capacity of the country to bear increased burdens is growing perceptibly less, I think, on the whole, the evidence placed before us has shown that, apart from increase of taxation, revenue has grown. You say that it is perceptibly growing less; but, on the contrary, it is perceptibly growing better?—My view is that the people are growing less prosperous; we perceive it. Men who think with me perceive that the people are growing less and less prosperous.

18,188. The outward and visible sign is the capacity to pay the same amount, or a larger amount, of revenue where there has been no difference of taxation. If the produce of taxation increases, it certainly is not a perceptible sign of incapacity of the country to bear increased burdens?—There is another thing also—increased burdens. I mentioned, and the Government themselves have admitted in several places, that it is not possible to impose increased taxation on the Indian people. That is one thing; and, secondly, your Lordship might look at the income-tax returns, for instance. For all practical purposes the income is steady, and there is the normal growth of population. Still we feel that the capacity of the country is growing relatively less.

18,189. Will you go on?—Under the Company's Government things were, on the whole, managed with economy, and increase of taxation was, as far as possible, avoided, which is a characteristic feature of our pre-Mutiny finance. The conquest of the country completed, the Company's Government entered, in 1852-53, upon a career of administrative improvement and internal progress, and did much in both directions, without increase of public burdens. And during the next five years the fiscal system was reformed, the police was reorganised, the judicial and other establishments were revised, with largely extended employment of natives in some of the higher branches, and great activity was shown in regard to public works. Over two crores a year were spent on canals and roads and buildings, and arrangements were made with railway companies for the construction of the main trunk lines of railway communication; and yet the expenditure was under 30 crores. Then came the Mutiny; it was a serious national disaster. It added 47 crores to our National Debt; and our permanent annual expenditure increased at one bound by about 9 crores, the civil charges going up from 11·7 crores to 15·8 crores, the Army from 12·7 crores to 14·9 crores, and interest from 2·9 to 5·5. The cloud of distrust, suspicion, and prejudice, then raised, still hangs over the country, and casts its blighting shadow more or less over the whole of our Indian finance. In respect of military expenditure—so, too, in regard to the extended employment of natives in the higher branches of the civil and military services of the Crown—the effects of the Mutiny are still broadly visible. I beg to be allowed to put in two statements here which I think will help the Commission to comprehend at a glance the progressive nature of our expenditure. The first statement gives figures of total expenditure minus railway receipts, figures of the exchange charge, and, lastly, figures of total expenditure minus railway receipts and exchange for the last 40 years. The second statement divides the period from 1862 to 1895 into three periods—the first from 1862-1870, that of centralised finance; the second from 1871-1881, that of partially decentralised finance; and the third from 1882-1895, that of decentralised finance.

18,190. I understand these figures to include the revenue so decentralised, do they not? It is the total revenue in each case?—Yes, the total; and the statement gives the salient facts connected with our expenditure during all these years. Both these statements have been prepared from the annual financial statements.

18,191. The table which you put in is a very interesting one; but of course it is impossible for you to give us these long columns of figures, and I would ask you to look down and give us two or three figures out of it, in support of what you are saying?—Yes. Well, what I meant was that, if these statements are put in as appendices to my evidence (they have been prepared with great care), they will illustrate this point. At the bottom of page 39 I say that the periodical averages, without exchange, have been as follows:—1852-3 to 1856-7, 30·8 crores; that was

the first level. Then during the four years, which were very disturbed, after the Mutiny, there was an increase of 16 crores, 46·1; that was the average. That level was practically maintained during the next 10 years. From 1862-3 to 1870-1 it was 46·9; from 1871-2 to 1881-2—that was a disturbed period of war and famine—it went up to 53·9. From 1882-3 to 1894-5, which has been a period of expeditions and increase of military expenditure, and so on, the increase, without exchange, has gone up, on an average, from 53·9 to 58·8. With exchange, the figures are much worse; they are 30·8; 46·1; 46·9; 55·8; 65·4. Then in these statements—

18,192. Now you follow that with six statements?—Two make up each division; there are three divisions, three periods into which I have divided the whole from 1860 to the present. In 1860 our finances were placed on their new basis by Mr. Wilson.

18,193. Is this the table, that you call "Post-Mutiny period"?—Post-Mutiny period, Division 1, from 1862 to 1870-1. I would ask the indulgence of the Commission only for two or three minutes while I point out the most salient points. I would not weary them by reading all these; but I would point out—

18,194. Would you point out the object you are aiming at; then, if they are put in, we can see in detail how you work it out?—I have tried to point out, first, what have been the elements of uncertainty during each period, and how those elements have gone on increasing until at last they have got to quite a large number now. Then I give a list of the fiscal reserves during each period, and I proceed to show that these are exhausted nearly now. The Government has been drawing upon not merely the old reserves, but several other reserves.

18,195. Perhaps you would give us what you call the elements of uncertainty?—During the centralised period, the elements of uncertainty were War Office demands, about which the Government of India itself has said it did not know what might be thrust upon it; then demands for public works under the pressure of the commercial classes; then the opium revenue had become uncertain; the fluctuations in the opium revenue, and the railway finance. These were the elements of uncertainty during the first period. The fiscal reserves were balances, taxation, and curtailment of optional expenditure, that is, public works. Now, if your Lordship will turn to the second division, there the elements of uncertainty and the fiscal reserves are mentioned of that period; War Office demands; famine and protective action; public works; commercial demands; opium and railway finance; they remained as they were. Exchange is added now as another element of uncertainty.

18,196. Which table are you on now?—It is the Post-Mutiny period, 1871-2 to 1881-2, Division 2. Two more elements of uncertainty have been added, in the shape of exchange and exigencies of Imperial policy in Central Asia. The taking of Khiva brought on a change of policy. The fiscal reserves were balances, taxation, curtailment of public works, optional expenditure, and famine grant. That came under the fiscal reserves. Then during the third period, the elements of uncertainty during the period—five of those were the old ones; then exchange, and Imperial policy in Asia, conquests and frontier protectorates; these are the expeditions and other things. They are an additional element of uncertainty. The fiscal reserves were balances, taxation, curtailment of public works, optional expenditure, famine grant, contributions from provincial Governments, periodical revision of provincial contracts, transfer of public works from revenue to capital, as they have done in the case of strategic railways, and so on.

18,197. Then these six tables are really an analysis of the different causes which have affected Indian finance during the time?—Yes; they are an analysis of the financial statements and the appropriation reports of the Government of India for the last 30 years and more, they are intended only to give a clear idea of how our finance is getting more and more embarrassed, showing how the clouds are gathering thicker and thicker.

18,198-9. Now, is there any conclusion, which you would like to put before us, that you have yourself drawn from these tables?—Yes, the conclusion is just this, that the position is becoming worse and worse, and might become hopeless, if not looked after in time. Here are the noteworthy features that I have given. On the left-hand side of each sheet I give the facts, and on the right-hand side I give the remarks; and in these remarks my opinions are expressed, and if your Lordship will allow

me I will read merely those remarks—they are nearly the same as I have already explained. (1) Large administrative improvements were required after the Mutiny; (2) Provincial administrations made increasing demands for varied local improvements, not being themselves responsible for funds; (3) Public opinion in England urged measures for material progress (deemed neglected by the East India Company); (4) The commercial interests of England demanded improvements of communications and other public works; (5) The recurrence of famines emphasized the obligation of the State as to protective works; (a) Private enterprise encouraged in all ways; (b) State agency since 1867 employed to co-operate (100 crores in all spent on public works); (6) War Office measures in respect of the British Army imposed a net charge of 450,000*l.* due to amalgamation and unequal partnership; total expenditure rose from 42.9—49.3; expanding demands for expenditure, (1) General administrative improvement; (2) Public works, productive, ordinary, protective; (3) Provincial needs; (4) War Office demands, (2) and (4) beyond the control of Government of India; necessity for limitation of expanding demands; in respect of (3) provincial decentralization carried out, 1870—71. I have brought in here the salient points of the financial system and its working during the first period. During the second period (1) it was an abnormal period of war and famine; (2) English public opinion continued to urge measures of material progress, yet public works expenditure had to be reduced, which fell from 100 crores to 70 crores during the period; (3) The famines and the vast expenditure required led to the formation of a famine insurance fund, yet the fund was diverted to war; (4) Fresh War Office charges amounting to 48 lakhs due to amalgamation came upon the Indian Budget for increase of military efficiency; (5) What disturbed Indian finance most was a change of policy on North-Western frontier. Imperial policy in Central Asia entered upon a new phase with Russia's conquest of Khiva. Afghanistan was given up as a neutral zone, and the Amir was promised material and moral aid against unprovoked foreign aggression, a change of policy which converted Afghanistan virtually into a British frontier protectorate. The line of the Indus was given up as the border line of British India. Indian finance was loaded with cost of schemes of Imperial territorial expansion in Central Asia; and a preponderance came to be given to military considerations in our financial arrangements. Here Indian interests were subordinated to the exigencies of Imperial policy, (6) Exchange difficulty increased. Total expenditure increased by 9.7 crores. Expanding demands, (1) General administrative improvement; (2) Public works, pressure of English commercial interests; (3) War Office demands (amalgamation); (4) Treasury Office demands, Central Asian Imperial policy, (5) Exchange, (2), (3), (4), and (5) all beyond the control of Government of India. In respect of (1) further decentralization. In the third period (1) the period was a disturbed period of war, panic, and military precautionary measures and territorial annexations, costing us about 70 crores during it; (2) English public opinion pressing for material progress, the commercial interests demanding railway extensions, the local services clamouring for increased pay and pensions, and exchange compensation, the strain on Indian finance was severe; (3) Developments of Imperial policy in Asia involving us in large trans-frontier and other liabilities; Upper Burma and other frontier provinces thrust on our hands for administrative development, which means vast future outlay. India now in touch with the great Powers of Asia is necessarily pledged to vast military expenditure. Indian defences weakened. Indian finance at the mercy of military considerations. Indian armies increased; (4) Exchange difficulty enormously increased concurrently with a fall in opium. Grant of exchange compensation allowance. Total expenditure increased by 14.44 crores as against 9.7 and 6.4 of the previous periods. Expanding demands, (1) Public works; (2) War Office demands; (3) Demands of Central Asian policy; (4) Exchange, all beyond the control of the Government of India. Taxation having reached its utmost limits, the enormous growth of expenditure during the period leaves us no fiscal reserve; yet elements of uncertainty and instability of Indian finance have largely grown, and the Government of India is compelled, in the interests of financial solvency, to be able to meet fluctuating and expanding uncontrollable demands to keep tight its hold on every fiscal resource, limiting the means of the provincial administrations on the one side and reserving its freedom of action in regard to famine grants, productive public works expenditure, and provincial contributions.

18,200-1. We have already dealt with the question of Imperial and provincial net expenditure; perhaps, therefore, we may pass on now to military expenditure?—Yes. Military expenditure. No student or critic of Indian finance will fail to be struck by the position which military charges occupy in the administration of Indian expenditure. It is indeed difficult to enter into a thorough examination of this branch of our expenditure without raising a discussion about certain matters of policy which have been held to be outside the terms of this Commission's reference. My friends, Mr. Morgan Browne and Mr. Wacha, have, however, already placed the views of the Indian people on some aspects of this subject before the Commission, and I have no wish to go over the same ground again. I will therefore content myself with a statement of certain additional facts connected with our military expenditure, leaving the Commission to draw its own conclusions from them.

The strength of the Army (94 5):—

Standing army	-	-	-	219,778
British troops	-	-	73,119	
Miscellaneous British officers	-	-	921	
Native troops, including British officers	-	-	145,738	
Native Army Reserve	-	-	-	13,862
Volunteers	-	-	-	29,089

Total of armed strength on mobilisation 252,729

A strength even smaller than Japan commands and about equal to that of Greece.

Its cost (94 5):—

		Rx. millions.
Ordinary expenditure	-	20 0
Military works (ordinary)	-	1 1
Total (ordinary)	-	21 1
Special expenditure during the year	-	6
Exchange	-	3 6
		25 4

Ratio of ordinary military expenditure to total expenditure, excluding railway receipts, for the year $\frac{25 4}{73 2} =$ nearly 35 per cent., thus comparing with what we have in other countries.

		Millions £	
United Kingdom	-	$\frac{17 8}{91 3}$	= 19 per cent.
France	-	$\frac{25 9}{138 0}$	= 19 "
Italy	-	$\frac{9 4}{72 4}$	= 13 "
Japan	-	$\frac{2 6}{16 2}$	= 16 "
Greece	-	$\frac{58}{4 2}$	= 13 "
British India	-	$\frac{25 4}{73 2}$	= 35 "
or omitting exchange	-	$\frac{21}{73}$	= 30 "
Russia	-	$\frac{23 9}{115}$	= 21 "

The growth of our military expenditure, excluding all exceptional items, exchange, and even military works, has been as below:—

Years.	Average Strength.			Average Expenditure in Millions Rx.
	British.	Native.	Total.	
1837-8 to 1856-7 (20 years).	43,826	222,915	266,741	10.85
1861-2 to 1873-4 (13 years).	62,458	123,881	186,340	15.68
1874-5 to 1880-81 (7 years).	61,884	122,556	184,441	16.17
1881-2 to 1884-5 (4 years).	57,975	119,939	177,714	16.55
1885-6 to 1894-5 (10 years).	70,704	140,682	211,387	18.25
1894-5	74,040	145,738	219,778	20.1

Taking, according to Mr. Kellner's estimate, seven native soldiers as financially equal to three European soldiers, we may summarise the periodical expenditures on our Army thus:—

Period.	Total Strength European Standard.	Total Cost in Millions Rs.	Charge per Combatant in Rupees.
1837-8 to 1856-7 -	139,383	10·85	778
1861-2 to 1873-4 -	115,550	15·68	1,357
1874-5 to 1880-1 -	114,408	16·17	1,413
1881-2 to 1884-5 -	109,291	16·55	1,515
1885-6 to 1894-5 -	130,996	18·25	1,393
1894-5 -	140,403	20·1	1,430

18,202. What Mr. Kellner is that; is that the gentleman who was for a long time out in India?—Yes; he gave evidence before the Fawcett Committee.

18,203. (Sir Donald Stewart.) Where did you get those figures, because they do not sound to me to be quite accurate or nearly accurate about the strength?—From various sources—"Army Commission's Report," "Army List," "Statistical Abstract"—in fact, it has been a matter of very great labour.

18,204. (Chairman.) How did Sir George Kellner arrive at his equation between the seven native soldiers and the three Europeans?—From his knowledge of the Indian Army; that is all I can say. I am unable to go into that question, because I do not know the details, but his opinion has often been quoted.

18,205. (Sir Donald Stewart.) Do you depend upon this statement that the Army has been increased in the year 1894-5 by 4,000 men?—It is not like that; it is over the average during the 10 years—the average was 70,000 for 10 years. The increase that was contemplated in 1885 was not carried out at once.

18,206. In 1894-5 you say it was increased to 74,000?—But in 1893 also it was nearly 74,000, like that.

18,207. Is it the average over a series of years?—It is the average for the 10 previous years.

18,208. (Chairman.) But what Sir Donald Stewart means is that you have given 1894-5 alone?—That is shown separately, because that is the present strength.

18,209. (Sir Donald Stewart.) Is that the present strength?—Yes.

18,210. Then I think it is wrong?—I am open to correction; but if only a copy of the latest Statistical Abstract is given me, I will point out.

18,211. I think about 71,000 is what it ought to be?—I think for 1894-5 I have taken the figures from the Statistical Abstract. During the 20 years preceding the Mutiny, a most eventful period of war and conquest, we had under the Company's rule an armed force about as strong as now, but maintained at nearly half the cost, the charge per combatant being Rs. 775. The Mutiny came, and the transfer of India to the Crown followed; Army amalgamation was carried out, a staff corps formed, and other changes in Army organisation effected, and our military expenditure rose at a bound to 14·89 crores from 10·85, the average of the pre-Mutiny period. It has gone on ever since steadily increasing till we come to the present year, when it stands at full 20 crores, exclusive of exchange, the strength being about the same as before the Mutiny. Now, I make a few observations—(a) Looking to the composition of the Army we have 74,000 British troops to 145,738 native troops, or almost exactly in the proportion of 1 to 2. During the 20 years preceding the Mutiny, the proportion of British to Native troops was 1 to 5, and sometimes much lower. The outbreak of 1857 followed; a Royal Commission inquired into the matter in 1859, and in its report submitted the following recommendation to Her Majesty:—"As regards the third question, the proportion which European should bear to Native corps in cavalry, infantry, and artillery, respectively, your Majesty's Commissioners are of opinion that the amount of Native force should not, under present circumstances, bear a greater proportion to the European, in cavalry and infantry, than 2 to 1 for Bengal, and 3 to 1 for Madras and Bombay respectively." The proportions thus laid down were recommended in view of the circumstances of the disturbed period, and were not absolute, precluding all future modification as things should change. The present organisation, however, practically rests on that recom-

mentation, the proportion being, as a whole, as 2 to 1, the differential proportion recommended for Bombay and Madras being ignored. Taking the recommendations of the Royal Commission and looking to the local distribution of the armies, we have—

	Native Troops.	British Troops.	Excess of British Troops over the accepted Standard.
Bengal ($\frac{1}{2}$) - -	84,614	46,379	4,072
Madras ($\frac{1}{3}$) - -	32,306	14,195	7,266
Bombay ($\frac{1}{3}$) - -	28,878	13,466	
			11,338

This is the amount of excess British force over the accepted standard we have in the country, and I submit that there is nothing in the present condition of things to justify such a large departure from the recommendations of the Commission; things admittedly have changed for the better, and with our increasing appreciation of British rule, and growing attachment to Her Majesty's throne, we should have expected the proportions to be modified the other way. As it is, we have on our hands an excess force of more than 11,000 British troops, and taking the cost per European combatant at Rs. 1,430 a year, we see this excess force burdens our military budget with a needless $1\frac{1}{2}$ crores (or more exactly Rs. 15,739,000) $1\frac{1}{2}$ crores a year is rather too heavy a charge for a poor country to bear unnecessarily.

18,212. (*Chairman.*) You observe that the report of the Commission, from which you quote, is very nearly 40 years old?—Yes.

18,213. Many things happen in 40 years, do they not?—Yes; but the first proposals were made by that Commission, and they have always taken their stand on the recommendations of the Commission.

18,214. (*Sir James Peile.*) Do you know that Lord Ripon said that his Government had most carefully and thoroughly considered the question, and had come to the conclusion that one European soldier to two natives is the right proportion?—That is true; but this was a Royal Commission that investigated the subject.

18,215. Lord Ripon's investigation was a great many years after the Commission?—I know, but it was an investigation by the Government of India itself, this was by a Royal Commission.

18,216. You could not trust Lord Ripon to take care of the interests of India?—I should not like to say that, that is rather a very difficult question to answer in that way.

18,217. (*Chairman.*) Would you not put any stress upon the inquiry made by the Government of India itself?—I attach more importance to a Royal Commission's inquiry.

18,218. (*Sir Donald Stewart*) That was the result of a commission of Indian officials?—Yes, the Army Commission of 1879; in fact the Secretary of State and the Government of India have all along been assuming in their despatches that the proportion should be one to two, but the original recommendation on which the whole thing was based is what I have given, and I only wanted to bring it out; that is all.

18,219. (*Chairman*) Will you go on?—The strength of our existing army is further by the recent increase of 30,000 troops in excess of the military needs of the country, as laid down by the Army Commission of 1879, who even contemplated among things in framing their estimate of our requirements, "the contingency of operations beyond the frontier, not merely against Russia, with Afghanistan as our ally, but against Russia assisted by Afghanistan," and as Mr. Ilbert and Sir A. Colvin in their dissent point out, no circumstances have arisen which necessitated these augmentations.

But again, the existing organization of our army is so faulty that it imposes a needlessly grievous burden on the Indian Exchequer. Our army is always practically on a war footing; we have no peace establishment proper; and the strength we could mobilize in an emergency is—including volunteers and reserves—not more than 252,719 men all told. And it is for such meagre armed strength

that we have to spend under the present vicious system 25 crores and more a year. While most countries in Europe have adopted short service and the system of reserves, a system which gives them a maximum of combatant strength at a minimum of cost, India alone has to keep up her armies on a war footing even in time of peace and has to pay a heavy penalty, getting no commensurate return for the money she spends. In these days the armed strength of a nation is measured, as stated by Lord Wolseley, not by the number of men under arms in its standing army, but by the total number of trained soldiers it could put together for active service when needed, service with the colours being but a course of training for the recruits much more than active preparedness for war, and in an emergency the reserves being relied upon as the first line of national defence. While the United Kingdom spends about 18 millions on her army, and has a total armed strength of 588,785 men; France spends about 26 millions, and has an active army of 572,102 with reserves numbering 1,778,000, or a total of 2,350,000; Germany spends 27 millions, and maintains an active army of 562,014, and can mobilize in time of war with her splendid reserves a total force of 3,000,000; even Japan, an oriental country which has so successfully copied the European system, spends 2½ millions on her armies, keeping up a standing force of 37,719, and is able to mobilize a force of 269,748; British India, though she spends even more than the United Kingdom itself on her armies (25 crores), has but a standing force of 219,778, and with the reserves and volunteers, of 252,729 to show, a strength even smaller than that of Japan, and scarcely one-tenth of Germany.

England adopted short service in 1871-2, but did not extend the benefit to the Native Army. How wasteful our existing system is, may be more clearly seen when we find that we have had to add three crores to our military budget to increase our armed force by 30,000 troops.

Taking the two component parts of the Indian Army :—

(a.) *British Troops.*

(1.) Here we pay for short service, but the advantage of the system goes all to England. The peculiar merit of the system is that it gives a large reserve. Our English reserve is in England, and is not always available to us. Hence the British troops in India are all placed on a war footing.

In respect of the recent increase, the argument strongly urged was that we could not always depend on England for reinforcements, possibly least when we should need them most. Though the Indian revenues contribute so largely to the maintenance of the army reserve in England, we could not count upon getting the British troops augmented in India when we should have to take the field on a large scale. Meanwhile we have to bear the disadvantage of heavier transport charges, due to short service.

(2.) We have yet the peculiar disadvantage of short service, a paucity of seasoned soldiers in the standing force. Lord Wolseley has told us that men of under 2 or 2½ years' service are seldom sent on active service, and whenever mobilization takes place for field service in European countries, it is the reserves that are largely drawn upon. As we have no reserve in India, we pay for a force which is not all available for field duty.

(b.) *The Native Army.*

Our Native Army, though theoretically a long-service army, is practically in the main a short-service one. Under the regulations a man can claim his discharge after three years' service, and it is calculated that as many as 80,000 trained native soldiers return to their homes in 10 years' time. The Army Commission of 1879 proposed the formation of reserves in order to retain a portion of these 80,000 men bound to the obligations of service, and also in the hope that the reserves so formed in time of peace might "enable the Government to reduce the peace strength of the Native Army," and expressed their view that such a restricted reserve system could cause no political danger to the country. The proposed reserves were calculated to absorb 58,200 men out of the 80,000 retiring from the army every 10 years.

The formation of such reserves to the Native Army was decided on in 1885-6, and Lord Dufferin's Government proposed, when Sir Donald Stewart was Commander-in-Chief, to begin with two kinds of reserves, regimental and territorial, of which the latter system was evidently the more suitable of the two, and could have succeeded better. But the Secretary of State vetoed the proposal as far as it related to the formation of territorial reserves, apprehensive of political and military dangers of such a step, and sanctioned only regimental reserves. Accordingly, we have now the feeble and straggling reserve that there is, numbering about 14,000.

Of course, as far as it goes, it is a step in the right direction, however halting, and a strong effort ought to be made to organise on a sound basis a large effective reserve to the Native Army, so as to permit of reduction in its strength, which, while increasing the total armed strength of the country would bring material relief to the finances of the country. The wasteful costliness of the existing system is obvious.

We next come to the *Officering* of the Native Army.

Before the Mutiny, there were two classes of Native regiments, "regular and irregular." In the regular regiments the nominal staff of British officers was 25 strong, of whom about 12 were actually present, the rest employed in civil and other departments. In the irregular regiments, there were only three British officers, the rest of the staff being entirely Native. When the armies were reconstructed after the Mutiny in 1861, the irregular system was adopted throughout the Native Army, first in Bengal and later in Madras and Bombay, with the change that the number of British officers per regiment was increased from three to seven. In 1874-5, the strength of English officers was increased by the addition of two probationers to each corps. In 1882-3, one more officer was added to the cadre; so that we have now eight British officers in each regiment, ousting the Native officers virtually from the entire field of higher regimental command. Before the Mutiny, and in the irregular regiments, the British officers commanded wings and squadrons, leaving the command of the troops and companies on the field to Native officers. Since the transfer and reconstruction of the armies, the field of employment for Native officers has steadily contracted, and they have not now even the command of troops and companies, and hold a lower status in the army. In their place a costly European agency has been put in, thereby imposing a great burden on the finances. My impression is that under Russia the native races in Central Asia have far more honourable military careers open to them, and the comparison must fill all friends of British rule in India with regret. The late General Chesney, who generally was not with us on Indian questions, has protested against this state of things in most eloquent terms, and I beg to be allowed to read a brief extract from his "Indian Polity":—

"In the cavalry the position of the Native officer has even gone back, for whereas formerly he could rise to the command of a squadron, the squadrons are now commanded by British officers, the most junior of whom takes precedence over the oldest Native officer. So far then as the Army is concerned, the Queen's Proclamation on assuming the direct government of India is a dead letter. This proclamation declares that 'Our subjects, of whatever race or creed, shall be freely and impartially admitted to office in Our service, the duties of which they may be qualified by their education, ability, and integrity, duly to discharge.' To a very large number of a most important class of Indian gentlemen, descended in many cases from ancestors who held high military office under former rulers, the only palatable, and, indeed, the only form of public service practical and possible for them is the military, and that is closed to them. While this is the case, it cannot be said that the promise held out in the proclamation is fully acted upon. It may be replied, indeed, that the class in question is excluded from service by the condition of fitness laid down, by reason, that is, of their defective education. And certainly, in regard to a service the routine business of which is conducted in the English language, this contention may be held to be good, if the proclamation is read in a literal sense, without regard to the spirit which animates it. Some very gallant and distinguished Native officers, among them hereditary chiefs who have brought their clansmen by the hundred to join our standards, men who closely resemble in many respects the chiefs of the Highland clans, 150 years ago, have been unable to read or write in any language; yet men labouring under the same deficiency have carved out kingdoms for themselves. A man of this sort, a thorough gentleman in manner and feeling, if illiterate, with all the pride and bearing of birth and high family tradition, leading his own kinsmen like the Highland chief of old, will by his own chivalrous example show his men the way to victory, and that after all is what has to be aimed at in choosing officers" (pp. 268-269).

* * * * *

"It may be, indeed has been, said that the change of policy here advocated would be dangerous; that men of rank and influence raised to high military position might take advantage of the position; that the Mutiny might have had a very different ending if there had been men of rank and ability in the army to take advantage of the

opportunity. Plain speaking is here the best. Nothing will be concealed by silence, for this defect in our military system is so prominent as to be the subject of constant comment. The studious exclusion of Indians from all but the humblest places in our army is so conspicuous, that only one inference can be placed upon it, that we are afraid to trust them, and the danger from one point of view may be freely admitted. The Indian people are not held to us by any feelings of attachment. When in almost every country of Europe men are found plotting against their fellow countrymen, with the experience of Ireland before us, it would be absurd to expect that loyalty in India should take a higher form than expediency, the recognition that our rule is the best available at present, and that it is too firmly established to be attacked without risk. But apart from any question of justice or good faith, it is surely safer as a matter of policy to have men of talent and ambition with you, their interests enlisted in our system as offering possibilities of high advancement, than that their only chance of escape from a life of obscurity and inaction should be felt to lie in subversion of our rule and the anarchy attendant on such a revolution. There can be little room for doubt on which side the choice should be taken, for much time has already been lost before entering on the course indicated by policy as well as good faith. Meanwhile contrasts, not to our advantage, are publicly made between the Russian system, its ready assimilation of the races brought under its influence, the utilisation of ability which might otherwise be dangerous, and our hard and fast representative system. And when the step forward is taken in the right direction, it will be satisfactory to consider that while the Army necessarily contains the elements of danger inherent in every body formed under such conditions, it has been rendered of late years a much safer as well as a more efficient weapon. No one class has been disproportionately increased in strength, while for the indiscriminate infusion of class and caste, the separate class and caste system has been largely substituted. For precaution, the Army must be held to its duty by liberal terms and strict discipline, a still more effectual precaution would be that indicated by considerations of justice and policy, that the military classes, equally with all other classes, should feel that to them a career suitable to their tastes and aspirations is open, bounded only by their capacity to take advantage of it, that service under the Queen may offer more than can be hoped for by any other way (pp. 270-271)."

18,220 On what occasion did he say that?—This is a work on Indian Polity, and that quotation is from chapter 16

18,221. (Sir Donald Stewart.) Which edition is that?—1894. Even in the lower positions the number of Native officers has sensibly fallen off during the past 20 years. In 1876-7 the number of these officers was 2,812, in 1895-6 it is 2,759—a decrease of 53 officers, though the strength of the Army has risen during the period from 120,672 to 141,257 (i.e., 20,000). On the other hand the number of British officers shows an increase of 149 officers (from 1,431 to 1,580).

Lastly we come to a feature of the existing army organisation, the most wasteful of all.

The Indian Staff Corps is a corps of officers intended for the Native Army as well as for civil employ in the political, police, survey, and other departments, and in the frontier and non-regulation provinces.

When the amalgamation was carried out in 1861, there was a complete change in the system of officering the Native Army. The old supply from the British regiments was stopped, and a staff corps was established in each presidency for the purpose. All officers of the Army except those who declined were transferred to the new corps. The promotion in the new corps was entirely by length of service, not by succession to a vacancy, so that lieutenants became captains, and captains, majors, and so on, though the promotions were not needed for the work of the army. The system is still in force, which is as under—

Ensigns on transfer to the corps to become lieutenants.

Lieutenants after 11 years' service to be captains.

After 20 years' service to be majors.

And after 26 years' service to be lieutenant-colonels.

Further privileges were in 1866 conceded to the staff corps. Previous to that year a certain number of lieutenant-colonels succeeded on vacancies occurring to colonel's allowances. These carried with them an extra pension of 664l. a year. In 1866 the Secretary of State allowed all officers then in the staff corps and all who might join, to succeed to colonel's allowances after 12 years' service in the grade of lieutenant-colonel, without

reference to any fixed establishment of colonels with colonel's allowances. Thus every officer could in future rely on getting colonel's allowances if he lived and clung to the service till he had served 38 years. The general result of this extraordinary system of promotions and pensions has been that the upper ranks of the services are filled with officers for whom there is no work.

The colonel's allowances previous to 1866 were granted only to a certain number on ground of special merit, at the rate of one to 30 officers. Since then it has been indiscriminately allowed to all, and we have now 501 officers in receipt of colonels' allowances on a staff corps of 2,826 strong, *v.e.*, more than one in six officers.

The grant of such allowances is now placed under new conditions, but the heavy burden on the Exchequer due to the measures of the past, taken in the interest of the officers, grows heavier every year. The old system of promotion is still in force; regulated not in accordance with the needs of the services but in the interests of the officers, as if the army was for the officers and not the officers for the army.

The whole question regarding the constitution, terms of service, rates of pay and pension in regard to this costly and privileged corps requires to be carefully examined. As it is the whole system rests on an unsound basis, the corps is over numerous and drawing privileged rates of pay and pension, inflicting a heavy burden on the national exchequer.

18,222. (*Sir Donald Stewart.*) I presume that you are aware that this system, which you condemn and which probably most people condemn, is coming to an end?—It is coming to an end, but the burdens are still there.

18,223. (*Chairman.*) I think that brings us to the services?—Yes.

18,224. I think we will begin to-morrow with those?—Yes; the remaining portion will not take us long, I think

The witness withdrew.

Adjourned till to-morrow at 11 a.m.

Confidential.

INDIAN EXPENDITURE
COMMISSION.

At the India Office, S.W.

Forty-fourth Day.

Tuesday, 13th April, 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING),

Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B.,
G.C.S.I.

Sir JAMES PEILE, K.C.S.I.
Mr. G. L. RYDER, C.B.
Mr. DADABHAI NAOROJI.

Mr. COLIN G. CAMPBELL, *Secretary*.

Mr. GOPAL KRISHNA GOKHALE recalled and further examined.

18,225. (*Sir James Peile*.) I gather that you hold the doctrine held by Mr. Naoroji and Mr. Wacha of the increasing poverty of India?—I do.

18,226. Now your indictment of the Government depends entirely on the truth of that doctrine?—The truth of what?

18,227. Of that doctrine that India is falling into deeper poverty?—I have not gone into that question in detail, because that does not come within the terms of the reference. Only in one place have I incidentally referred to that.

18,228. Still, if you give it as a state of India which justifies an indictment of the Government, you ought to be prepared to support the doctrine by proof. In fact, you did so because I think you were asked on what you rested that opinion, and you said the condition of the people in famine. Would you please repeat what you said about what happens to the people in famine?—I said that, at the first touch of famine the people suffered in large numbers, and that was a sign that the people were not in a position to bear burdens that were put upon them.

18,229. By "the people" do you mean the whole people or the agricultural people?—Well, in regard to famine, those who suffer from famine—the large bulk of the population. Petty traders and artisans also come under the same category, and agriculturalists mainly, of course.

18,230. Have you studied the course of prices of agricultural in India produce within the present century?—I have given some attention to that, but I cannot say that I have studied the question.

18,230a. You know, of course, that in the first 20 years of the century there was the wildest disorder prevalent in India. Large tracts were laid waste by fire and sword, villages burnt and people outraged and murdered?—Yes.

18,231. After that, order was introduced, and up to about 1850, the prices of agricultural produce fell; do you agree?—I have read such descriptions.

18,232. Of course, the reasons of that are very obvious. The cultivation extended very rapidly in

conditions of peace; produce was very largely grown; there were no railways, so that it could not be carried about easily, and, of course, the value of it fell so that it scarcely fetched any price at all. After about 1850, under the administration of Lord Dalhousie, came the time of the introduction of railways. From between 1850 and 1860 onwards they were very rapidly constructed; the result of that has been that the values of agricultural produce have risen enormously, is it not so?—In some places they have risen; the tendency has been towards greater equalisation, I think.

18,233-5. No, not merely that. I think I can show you that it is not so. We have periodical revisions of the land revenue assessment, in which the data are the price of produce at the time of the previous settlement before 1850, and the prices at the revision. It is very frequently found that the prices of agricultural produce have risen 100 per cent., or even more, in the markets of the small country towns, and, if you take the settlements of that period, the old settlement before 1850 and the new settlement after, that is invariably the case. Of course, if the settlement you are looking back to took place after the railways were introduced, it is probable that there has not been, at any rate, a great rise in prices between that first settlement and the second. Well, the value of the produce exported from, or moved in, the country after the introduction of railways increased enormously. We have also data of the importation of precious metals. I took from the "Statist" a table drawn up by the Bank of Bengal, which gave for 33 years up to March 1892 the amount of bullion imported and kept by India. It was 230½ millions sterling in silver and 126 millions of gold; 356½ millions in the aggregate, or an annual average of 10½ millions. Now I will show presently where part of that went to; you accept those facts, I think?—I accept the figures from you.

18,236. Are not these facts that I have mentioned signs of decreasing rather than of increasing poverty?—I do not think so.

18,237. You do not; can you tell us why?—It all depends on what classes all these things go to. In addition to what you have mentioned you must also be able to show that these increased imports of precious metals found their way into the pockets of the agriculturists—into the pockets of these poorer people.

(*Sir James Peile.*) I will try to show it presently in a question I will put to you.

18,238. (*Chairman.*) May I ask a question on that. The fact of these large amounts pouring into India shows that India as a whole was not decreasing in wealth?—I do not think that they are very large sums after all, when you remember what a large country India is. Besides, I should like to know how much of that went to keep up the currency of the country; how much was absorbed by Native States, and how much remained in British India. The whole question will have to be gone into carefully, and mere total figures will not assist us much.

18,239. That is not my question. My question is a very simple one. In these figures I speak of India as a whole. Do you admit that India as a whole was increasing in wealth?—I should not admit that; these precious metals do not come in for nothing; a large quantity of the produce of the country goes out as a sort of exchange. I do not think that mere imports of precious metals can be accepted as an addition, economically speaking, to the wealth of the country.

18,240. But the produce that is sold, that passes out as surplus produce and is sold—it is quite a voluntary matter to sell—you must suppose that it would be sold at a profit?—Well, as a matter of fact, our exports are greater than our imports, owing to these home charges. The fact that such large quantities of precious metals come into the country shows that the imports in other shapes are fewer than they would otherwise be. I do not think that is any very conclusive evidence of the growing prosperity or poverty, either way; it is simply an economical fact.

18,241. But a great quantity of the precious metals coming into a country and stopping there, shows that there is at all events a power of hoarding or accumulating, if it does not go out?—I do not quite see that.

18,242. Perhaps you hesitate to accept proofs of prosperity?—I am quite open to correction, but I do not quite see clearly how the mere fact of the imports

of gold and silver being so and so can mean that the country is increasing in prosperity. This is a fallacy of the mercantile system long regarded as exploded.

18,243. If I find at the end of the year at my banker's account a couple of hundred pounds more than at the beginning, am I a poorer man?—I do not say that, but if your income in one year was a couple of hundred pounds, and so many commodities, and in the next year you get fewer commodities and a hundred pounds more, that does not necessarily mean that your lordship is richer. It all depends on what the total amount comes to.

18,244. (*Sir James Peile.*) Well, now, we will go on to your argument, based on famine. Your argument is that the people of India cannot stand up for one year against famine, because they have no resources to fall back upon?—Not exactly that.

18,245. Will you state it then, please?—I will take the famine of 20 years back. You were one of the Commissioners who gave particular attention to that, so of course I speak to you on the matter with considerable diffidence, but the opinion I have formed after reading the Famine Commissioners' report is this. So far as our Bombay Presidency is concerned there were two successive failures of rain, one in 1876 and then in 1877. During the first year the distress was not so very great, but during the second year the distress was most intense. On the other hand this year there has been a famine; the failure of rains, however, was not so great as it was 20 years ago, and yet the extent over which famine now prevails is much larger than the extent over which it prevailed then.

18,246. Surely you are wrong in one point, that the failure of the rain was over a smaller area this year than it was in 1876-7?—I am not talking of other parts of the country; I am talking of the Bombay Presidency at present. Taking the figures on the relief works for Sholapore, for instance, I find the number has now increased to over 100,000; that is about 125,000. Now this figure was never reached even in the worst days of 1877. The highest total was, I believe, about 98,000 then.

18,247. Supposing the conditions of work and the pay of the work in this famine are a good deal more liberal than they were in 1876-7?—I do not think it is more liberal than what it was in 1877, *i.e.*, in the second year of the famine—no doubt, in the first year it was very bad, but in the second year things had admittedly improved.

18,248. I have not got the exact figures about it, but I am told that is the case?—That is the official view, but our complaint is that the famine relief workers get very insufficient wages at present.

18,249. I think it would be a very difficult thing to establish a proposition of that kind, that the people are poorer now and call more largely for relief; that is a somewhat hasty conclusion, I think. Let us return to the general considerations of famine?—I have got some figures to prove my point.

18,250. You say that the people generally have no resources, and they cannot tide over even one year?—Yes.

18,251. Now is that condition of things peculiar to the English Government?—But after 50 or 60, or 100 years of settled government, surely things ought to have improved for the better.

18,252. I think they have; but one sees it very often said that the famines are entirely the fault of the British Government?—I never said so.

18,253. You have heard of the famine of 1770, before the British Government had anything to do with Bengal?—But I never said that British government brought famines into the country. I do not say—

18,254. In which one-third of the population died without any measures being taken to assist them?—I do not know anything about that.

18,255. (*Mr. Naoroji.*) Was there not British possession of Bengal before 1770?—Yes; the Company governed under the nominal suzerainty of the Emperor.

18,256. (*Sir James Peile.*) We had not direct responsibility for the executive Government?—I think in 1770 you had; it was only two years before the regulating Act.

18,257. But, if you look into the form of the government, you will find that the native executive was still responsible?—If you will excuse me just a minute I will find it, because General Chesney

gives it, and I have his book here. In 1770 you were the rulers practically. The nominal ruler was the Emperor; virtually all government was in your hands—the revenue and everything

18,258. The question is whether the British then would be responsible for famine relief?—I cannot go into that question, because I have never asserted that the British were responsible for famines.

18,259. I do not wish to go into the question. The point is that India was subject to famines in those days as severe or more severe than they are now?—With this difference that the data about those famines are very insufficient, and this is admitted in the Famine Commissioners' report.

18,260. Now, taking the number of persons in relief at the present time, do you know what the total amount is; the highest figure?—Yesterday I read in the "Times of India," I believe, that it comes up to about 400,000 or more at present.

18,261. I think it is hardly so large; it got up to three millions?—That was because the reaping was going on in some parts and some had found employment elsewhere. The last was 430,000 or so.

18,262. Four millions you mean?—Yes, four millions; I beg pardon.

18,263. I do not think it is so many. It got up a little above three millions, and then it fell?—I made a remark to Mr. Naoroji yesterday that the number had gone up by about 30 per cent. since my leaving India.

18,264. Now, we will take your figure of four millions?—Yes.

18,265. Do you know the population of the provinces in which those relief works are undertaken?—I cannot say offhand.

18,266. The Government of India has given the area in which the famine was very bad, and the area in which it is not quite so bad?—Yes.

18,267. I think the one was 40 millions of people, and the other 37 millions, I take it, in round numbers?—Yes.

18,268. Call it 80 millions?—Yes.

18,269. That is four millions in 80?—I beg pardon, four millions absolutely destitute, but many many more in fact who suffer quietly at home, too proud to go to the relief works.

18,270. You say they have no resources?—They have no resources, if they starve, that is no resource.

18,271. That is an assumption which I do not admit?—I speak from personal experience of the famine in Solapore. I was there about a fortnight only recently before coming here, I found, as a matter of fact, that there was very great distress.

18,272. I have no doubt "distress" most assuredly; still the people manage to live through?—Well, if you will excuse my saying so, the Famine Commissioners themselves have said that when 10 per cent.—10 per cent. or 12 per cent. is the figure they give—of the people are on the relief works, then the distress must be described as extremely acute. Now the population of Solapore district is about 800,000—if I am correct, 700,000 to 800,000. Well, one-tenth of that would be about 70,000. If, therefore, 70,000 were on famine relief, the distress would be extremely acute, and it would be a severe famine. The number of men on relief works at present is about 120,000, somewhere about that, and, therefore, according to that statement in the Famine Commissioners' report, the distress there is very much more acute now than the standard laid down.

18,273. I was not at all arguing whether the distress was acute or not?—You seemed to say that four millions out of 80 millions did not indicate much distress.

18,274. What I was arguing was, that if four millions out of 80 millions come and ask for relief, and say they are starving if they do not get support from the Government, that shows that a considerable majority of the population are not driven to that extremity, and are able to support themselves through famine?—I do not think so. Much depends on the social status of the sufferers. There are people of the higher classes who would die rather than go to relief works; in fact, the Famine Commissioners themselves admit so.

18,275. What proportion are the highest classes? Are they not a very small percentage?—Not the highest classes, but the upper section of the lower classes. Moreover, the women do not go to relief works above a certain class. They suffer at home; they cannot

go out and work ; and there are various other things to be borne in mind. It is really difficult for me to go fully into the question offhand.

18,276. You are making all sorts of statements which I do not dispute ; but take the general result that out of 80 millions four millions come and seek for relief ; would you not infer from that that a very large proportion of the people have resources which enable them to tide over famine ?—I do not think so.

18,277. You do not think so ?—According to your own standard, 10 per cent. represents severe distress ; out of 80 millions, what would 10 per cent. be ? I do not quite see how the whole thing would work.

18,278. Well, four millions to 80 is how much ? It would be 5 per cent. ?—But it must be remembered that this is the first year of the famine ; besides, the total 80 millions includes also areas where the distress is not acute—where the distress is only mild, and all that.

(*Sir James Peils.*) Let us proceed, because I merely wish to go into very general considerations, and not into particulars.

18,279. (*Chairman.*) May I ask here, have you any returns of the mortality caused by famine—this famine ?—It is for Government to give those returns ; the Government have not yet published them.

18,280. (*Sir James Peils.*) They cannot yet, of course ?—Sir William Wedderburn has been asking for them in the House of Commons for some time.

18,281. You can hardly get them yet ?—I do not think it is so very difficult.

(*Chairman.*) Are there any returns showing what the mortality of the famine districts is, and whether it is very much in excess of the ordinary rates ?

18,282. (*Sir James Peils.*) It varies very much. In some it is in excess, and in others it is not in excess ?—I remember a statement drawn up by Mr. Goodridge who was recently Judicial Commissioner of the Central Provinces ; and there he gives the mortality for several districts in the Central Provinces, and the increase in several places is three or four times the normal rate.

18,283. You mean lately, this last year, in this famine ?—In this famine.

18,284. During the early part of it ?—Yes, during this famine.

18,285. Well, now, what class of persons suffer first ?—In case of famine ?

18,286. Yes ?—I can speak from personal knowledge of my Presidency only. They are the small agriculturalists who hold direct under Government ; they are the persons.

18,287. Who first feel it ?—Of course, simultaneously with others ; the day labourers—

18,288. Do not the weavers first generally ?—The weavers also ; they are in the first ranks.

18,289. Do the farm labourers come next ?—Well, they also go with them.

18,290. Before the agriculturalist ?—By agriculturalist I mean those small agriculturalists who are also labourers, not the landlords in whose name—

18,291. You mean the ryots, the peasant occupants ?—Yes, for the most part. A great many of them work on the soil themselves in Bombay.

18,292. Farm labourers, then ?—Yes.

18,293. Weavers, and then farm labourers. Well, if you take farm labourers and mill hands in England, supposing that a great calamity fell upon England, and the food supplies were suddenly stopped, do you think that farm labourers and weavers and mill hands, and so on, would have resources which would enable them to live over the period of high prices which would result ?—That is a very hypothetical case, because such a calamity never seems to come to England.

18,294. (*Chairman.*) The actual case did happen in the cotton famine of 1860 ?—I think that was a very extraordinary occasion, and your people assisted them, I believe, very well here.

18,295. But I want to point out that that has happened ?—Only once in a way ; that is, not so often as we have in India.

18,296. The question was whether such a thing had happened?—And it was, besides, a very small class, merely the operatives in mills, I believe, in Lancashire.

18,297. We do not think that the operatives in Lancashire are a very small class?—I do not say so. But the agriculturalists in India are about 80 per cent. of the population; the operatives in mills here are not such a large class.

18,298. (*Sir James Peile.*) There is another question I want to ask; is it a fact that the people have shown that they have no resource? Are you aware what happened in the last famine when silver ornaments of enormous value were sent down to the mint to be coined by people from pressure of famine up country in order to obtain the means of support?—But that itself shows the extreme acuteness of the distress. Every woman in India, for instance, feels that she must have a certain minimum of small silver ornaments; well, owing to the customs of the people, that is almost as necessary as the breath of life; you cannot construe that into the wealth of the people.

18,299. My question was whether in time of famine they do not use that accumulation of ornaments to sell or dispose of, and so obtain food?—As a last resource they do.

18,300. Is it not, then, a resource?—It is a resource, but it is almost a very cruel resource to use.

18,301. I find that the last total is 2,800,000 on relief works?—Is that so? I beg your pardon. But your figure, I think, does not include all the children who are receiving relief.

18,302. I will just wind up what I was saying. Then, to sum up, it seems to me that you must greatly modify this statement that the bulk of the people have no resources?—I do not see how.

18,303. In respect of having all those ornaments sent down to be coined?—That does not prove that the ornaments are increasing; nothing has been said about that.

18,304. My question was whether the people have any resource?—The question is a relative one, whether the resources are increasing or decreasing.

18,305. I have shown two points; an enormous portion of the agricultural population do not go on relief at all; and, secondly, they possess a considerable fund in the shape of ornaments which they coin when the famine attacks them. I say, having those two points in view, must you not greatly modify the statement that the bulk of the people have no resources and fall down at once?—They have comparatively no resource; that is what I mean; I do not see any reason to qualify it.

18,306. Very well, that will do; and also that there are very important facts which point rather to a decrease than to an increase of poverty?—I should like to know them.

18,307. I gave them to you before?—They have not convinced me, at all events.

18,308. We traced the rise of agricultural prices?—But that means everything has gone up, including the cost of agricultural produce; then, the agriculturalist has had to purchase certain other things for himself; and these too have gone up in price.

18,309. Let us take that for a moment; the agriculturalist grows his own seed?—Yes.

18,310. He also grows his own food?—Very little remains for himself.

18,311. There you are begging the question. What remains he sells; and he gets the increased prices?—That is only the theory of the subject.

18,312. That is not the theory; that is the positive fact in every house in the country. I think it is useless to prolong this discussion?—It is not a fact.

18,313. (*Sir William Wedderburn.*) Is it not the case that the ryot is so much in the hands of the money-lender, that is to say, the trader, that he has to give him his produce at the price that the trader chooses to give him for it?—That is what I meant to explain just now, but I was asked not to go on.

18,314. And your general proof of the increasing poverty of the people is that whereas in the late famine the people were able to stand up against the first failure, and only suffered very materially in the second failure, that in the present famine they have shown no power to stand up against the first failure?—That is what I mean.

(*Sir James Peile.*) I must ask for a little evidence of that.

18,315. (*Sir William Wedderburn.*) And that on the first failure on this occasion there are more people seeking relief than there were on the second failure in the first famine?—Yes.

18,316. That is your argument?—Speaking for the Solapore district, of which I have experience.

18,317. And you deduce from that that the people are in a rather worse condition than they were before?—Yes.

18,318. And that the proof of their dying from hunger is evidence that they have no resources to fall back upon?—Yes.

18,319. (*Sir James Paine.*) But is there any proof whatever that they have come more largely on to works?—I gave you the figures for Sholapore.

18,320. And I gave you the official figures. Will you now read them?—I cannot go into the whole question, but I know about one district, the Sholapore district.

18,321. I do not think this is anything to the point. We want the total figures for all India, which you gave us as 4,000,000 on relief works?—Well, I am open to correction as to a matter of fact.

18,322. Will you give us what it is in the official communication which I have put before you?—It is 2,800,000.

18,323. Then the whole argument falls to the ground on the figures?—It does not. I never based it on 4,000,000 or 3,000,000. I based it on our experience in the district of Sholapore. I know for a fact there the number on relief is about 120,000, and on the last occasion, even in the second year, it was less than 100,000.

18,324. And if the famine this year is a great deal worse than on that occasion, and if the terms and conditions of the relief works are more liberal than they were on the last occasion, then you naturally get more men on the works?—I myself heard the Collector of Sholapore say that this year it was only an "eight anna" famine at Sholapore. It was not so intense as the famine of 20 years back; although the extent was greater, and there were many more people who suffered than before.

18,325. What is the comparative price of food?—I cannot give an offhand answer to that question.

18,326. That would be the leading point of the whole question, would it not?—If I had expected to be cross-examined on this point I would certainly have come prepared. But I thought this was outside the terms of the reference to the Commission.

18,327. You are making statements. Of course one must examine into them?—I beg your pardon. You make statements, and I only reply to them.

18,328. You make statements in regard to Sholapore, and I see Sir William Wedderburn has tried to give point to them by putting to you that the people are in a worse condition?—I beg pardon. I did not volunteer these statements. You said the famine was not more intense, although the extent of area affected was greater. I say it is a milder famine, but it is causing much more suffering.

18,329. I said the extent of area covered by the famine was greater than the last, and it is an undoubted fact?—Well, I see no use in pursuing this matter further.

18,330. (*Chairman.*) I will now pass on to where we left off yesterday, the services?—My Lord, I will say just one thing about the figure of 4,000,000. I gave that as only my recollection after reading a weekly paper yesterday. It may be wrong; there might be a misprint; but I did not take my stand upon this particular figure, and now that this authoritative statement is put into my hands I am ready to modify my own. Your Lordship will see that I based no argument on that 4,000,000.

18,331. I think you were going to offer some observations on the services?—Yes. In every department of Indian expenditure the question of agency is one of paramount importance. According to a Parliamentary return of May, 1892, we have in India in the higher branches of the civil and military departments, a total of 2,388 officers, drawing Rs. 10,000 a year and upwards, of whom only 60 are natives of India, and even these, with the exception of such as are judges, stop at a comparatively low level. And they are thus divided:—

	Natives.	Eurasians.	Europeans.	In Thousands of Rupees.		
				Total Salaries of Natives.	Total Salaries of Eurasians.	Total Salaries of Europeans.
Civil Department -	55	10	1,211	947	151	25,274
Military - - -	1	1	854	12	11	13,268
Public Works -	3	4	239	33	45	3,415
Incorporated Local Funds.	1	—	9	10	—	113
Total - - -	60	15	2,313	1,002	207	42,070

In addition to these the railway companies employ 105 officers, drawing Rs. 10,000 a year and more. They are all Europeans, and their total salaries come to 16 lakhs 28 thousand rupees. If we come down to officers drawing between Rs. 5,000 and Rs. 10,000 a year, we find that we have 421 natives in the civil department, as against 1,207 Europeans and 96 Eurasians. In the military department there are 25 natives as against 1,699 Europeans and 22 Eurasians. In the Public Works Department there are 85 natives as against 549 Europeans and 39 Eurasians. And in the Incorporated Local Funds there are four natives as against 22 Europeans and three Eurasians. The total salaries of officers of this class are thus divided:— Civil Department, Natives, Rs. 2,905,000; Eurasians, 650,000; and Europeans, 8,830,000. In the Military Department, Natives, 164,000; Eurasians, 139,000; and Europeans, 13,698,000. In the Public Works Department, Natives, 537,000; Eurasians, 278,000, and Europeans, 3,962,000. And in the Incorporated Local Funds, Natives, 25,000; Eurasians, 17,000, and Europeans, 146,000. In addition to these there are, under the railway companies, 258 officers of this class, of whom only two are natives, eight being Eurasians and 248 Europeans. Their salaries are thus divided:— Natives, 12,000; Eurasians, 50,000; and Europeans, 17,10,000. In England 125,360*l.* is paid as salaries by the Indian Government, and 54,522*l.* by railway companies, all to Europeans. The financial loss entailed by this practical monopoly by Europeans of the higher branches of the services in India is not represented by salaries only. There are besides heavy pension and furlough charges, more than 3½ million sterling being paid to Europeans in England for the purpose in 1890. The excessive costliness of the foreign agency is not, however, its only evil. There is a moral evil which, if anything, is even greater. A kind of dwarfing or stunting of the Indian race is going on under the present system. We must live all the days of our life in an atmosphere of inferiority, and the tallest of us must bend in order that the exigencies of the existing system may be satisfied. The upward impulse, if I may use such an expression, which every school boy at Eton or Harrow may feel, that he may one day be a Gladstone, a Nelson, or a Wellington, and which may draw forth the best efforts of which he is capable, that is denied to us. The full height to which our manhood is capable of rising can never be reached by us under the present system. The moral elevation which every self-governing people feel cannot be felt by us. Our administrative and military talents must gradually disappear owing to sheer disuse, till at last our lot, as hewers of wood and drawers of water in our own country, is stereotyped. The Indian Civil Service is nearly 1,100 strong. Under the rules of 1879, since abolished, we were entitled to one-sixth of the whole recruitment, and in course of time we should have had about 180 natives in the Indian Civil Service. The Public Service Commission, appointed by Lord Dufferin, proposed the abolition of those rules, and recommended that 108 posts, usually held by covenanted civil servants, should be set aside for Indians. The Government of India and the Secretary of State thought this recommendation too liberal, and ultimately decided to throw open only 93 such posts to which the natives of India may be appointed, after certain existing claims were satisfied. That these higher posts are guarded with extreme jealousy as practically a close preserve, may be clearly seen from the following illustration. Mr. Jacob gives, in Appendix 16 of section II. of this Commission's Report, the total number of district and sessions judges in India as 126. Out of these only five are shown as natives. Now the capacity of natives for the efficient discharge of judicial duties has been over

and over recognised, and the Public Service Commission expressly recommended that one-third of all district and sessions judgeships should be given to natives, which meant 42 out of 126. Instead of this 42, however, we have at the present day only five native district and session judges. So, again, in the police, out of 230 district superintendents only three are natives. Only five natives qualified to do the work of district and sessions judges, and only three for the work of police superintendents in all India, after close on a century of British rule! The same is the case with the forest, accounts, opium, mint, scientific, and other departments. In the Public Works Department we have a total strength of 800 engineers, of whom only 96 are natives. The Indian civil engineering colleges have been working for years, and yet not more than 96 of their trained graduates are to be found in the higher branches of the engineering service. In this connexion I may mention that the Finance Committee of 1886 recommended that the connection of the Indian Government with the Cooper's Hill College be terminated as soon as possible, and that there be a larger recruitment of students of Indian colleges. This recommendation, however, was not accepted by the Government of India. I may also be permitted to make one or two general observations here on this Public Works Department. This department has been for a long time overmanned, and Lord Dufferin's Finance Committee thought it necessary to pass some severe criticism on the point. The sanctioned strength is 760. The actual strength in 1884-85 was 898, in 1893 it was 857, and now it is about 800, which is still 40 in excess of the sanctioned strength.

18,332. (*Sir James Peile.*) In the Civil Department? You mean the Higher Department?—Above 10,000 a year.

18,333. (*Chairman.*) May I ask, was 760 the number of which Lord Dufferin's Committee approved?—Yes. It was sanctioned by the Secretary of State. Ever since the expansion of the Department in 1860, and notably from 1868 to 1875, we have had the superior staff arranged less with reference to the work to be done than to the condition of things as regards the position of officers. I may mention here briefly that these points have been expressly admitted, by Sir Theodore Hope, who was in charge of the Public Works Department for a considerable time. There has frequently been hasty and irregular recruitment during the periods of expansion, followed by blocks in promotion, requiring in their turn corrective efforts in the shape of special allowances or better pay and pensions, not founded on a consideration of the executive needs of the Department. And more than once officers have been specially induced to retire from the service on very favourable conditions as to pensions, to reduce the redundancy of officers.

18,334. That is a very intelligible criticism on the administration, but may I ask is not that common to all administrations? I do not know any country to which that kind of charge does not apply, namely, that in one shape or another, under pressure or owing to error on the part of the Government, charges, which part of the community think excessive, are incurred. That is not peculiar to India, is it?—I do not know much about other administrations.

18,335. (*Sir William Wedderburn.*) Might not that difficulty be met by the temporary employment of natives of India instead of taking on permanent European officials, who have claims for permanent service and pensions?—Yes, and I would also add that these special concessions are general, and invariably they are made in the interests of the European services only. I do not know a single instance where native services have ever clamoured for increased pay or pensions, or ever got any concessions. The Finance Committee of 1886 recommended that Royal Engineers in the Indian Army should be put on the Civil Staff, remarking that "it is necessary to maintain a considerable establishment of Royal Engineers in India for military requirements. . . . Such of them as are not needed for purely military duty in time of peace can be best employed in the

" Public Works Department, and should, in our opinion, " have the first claim for employment in that Department in preference to all others," and the Committee suggested that the Military Works Branch of the Department should be abolished as a separate branch for military works, and amalgamated with the general Department. The suggestion as to the abolition of Military Works Branch has not been carried out, and only 70 Royal Engineers from a total of 273 are at present on the civil staff, the greater number of the remaining 200, or so, doing little or no work. It may be added that these suggestions of the Finance Committee had the full approval of the then Commander-in-Chief.

18,336. (*Chairman.*) Do you consider it advisable to do away with the Civil Engineering Staff altogether?—I only mention what the Finance Committee themselves recommended.

18,337. A total abolition?—Well, the recruitment from Cooper's Hill College was to be stopped; they said that for the most part the recruitment should be from the Indian colleges.

18,338. You said "for the most part." Do you think the military engineers should form the total engineering staff of the Government?—I have not quite caught the question.

18,339. Do you consider that the Finance Committee recommended that the civil staff should be entirely done away with, and that the whole of this engineering staff should be supplied by the military?—Oh, no, not at all. They said that there should be European civil engineers; but that no special places should be given to a particular college, and that every man should be recruited in the general market; also a much greater recruitment might be made in India.

18,340. Well, do they consider the point, how far you could attempt to weaken the military staff?—They themselves said they were not exactly in a position to say how much the Royal Engineers could be reduced; but they said the Royal Engineers were not doing much work, and that such a large number as 127, which was the strength then, was not required for the repairs of barracks and such small things as they had to do.

18,341-2. You say 70 Royal Engineers are employed on the civil staff at present. I want to know whether the strength of 70 Royal Engineers at all corresponds to the numbers which were in the minds of the Finance Committee, when they recommended that military engineers should be employed on the civil staff?—I do not think so. I think this is the tenor of their recommendation. They thought that by far the larger portion of the Royal Engineers should be employed on civil duty. Moreover, they proposed that the military works establishment was to be amalgamated with the civil. In that case, the Royal Engineers would be amalgamated with the civil staff, and they would do military work where that was necessary, and they would do other work, civil work, when they had no military work to do.

18,343. But I do not understand from this that the Committee inquired into, or formed an opinion as to, how many men were necessary for the military works?—It seems to me that the first point to be ascertained, before military men are drafted away to do civil work, was to what extent you could afford to do it; and the Committee do not appear to me, from your statement, to have taken that into consideration?—They said the information at their disposal was not sufficient to justify a recommendation on that point. But then under this scheme there would have been only one General Public Works Department, and the Royal Engineers and the Civil Engineers would have all belonged to that one Department.

18,344. But I am keeping to the military engineers; I see that out of the force which you mentioned as 127—?—70 are on the civil staff at present.

18,345. Did you not mention 127 Royal Engineers?—That was the strength at that time, yes.

18,346. Well, at present, 70 are employed on the civil staff. It does not seem clear to me at present that the real meaning of the Committee has not been given effect to, if there are 70 so employed out of 127?—Out of 273 at present; the present number is 273.

18,347. That is the total force?—The total number of Royal Engineers at present is 273.

18,348. Is 273. Well, what I want to ascertain is, whether the Finance Committee, who seem to have been rather vague upon this point, would have considered 70 out of 273 as practically satisfying their objects?—I am not qualified to express an opinion on that; but the impression on my mind, after reading what they have written, is that they would not have been satisfied. They expected a much larger proportion to be employed on civil work.

18,349. But at the same time, if they did expect it, it was a shot in the brown, because they had not taken means to ascertain how many of these Royal Engineers would be required for military purposes?—It should be remembered that their view was supported by Lord Roberts at that time—by the Commander-in-Chief.

18,350. And did he name any numbers?—No, because he also proposed an amalgamation, so it was not thought necessary to mention a special number.

18,351. Well, we will now pass on to the exchange compensation allowance, upon which, I think, you wish to offer some observations?—This allowance was granted to all non-domiciled European and Eurasian employés about the middle of 1893, and the figures for the last three years have been as follows:—

Year.	Amount in Rs.
1893-94	618,468
1894-95	1,239,275
1895-96	1,327,632

I have taken these figures from the Financial Statements. The allowance consists in converting half the salary of each officer into sterling at the rate of 1s. 6d. to the rupee, subject to a maximum of 1,000l., and then converting it back again into rupees at the current rate of exchange. Practically, it has amounted to a general increase of salaries. Now, in the first place, it is admitted that these employés of Government had no legal claim to the compensation. The pay of the European soldier in India is fixed in sterling, and the Government have now to make to him a much larger rupee payment than before. Nobody, however, has ever suggested that this rupee payment should be reduced. If anyone had made the suggestion, he would have been told that the soldier was legally entitled to it. The guaranteed companies are now getting 5 per cent. on their capital, though they do not earn so much, and though Government can to-day borrow at the rate of 2½ per cent. If anyone were to say that 5 per cent. was too high now to pay, and that the companies should be asked to be satisfied with less, he would be told "a contract is a contract." My point in giving these illustrations is this: if existing contracts are not to be disturbed *in favour* of the Indian Exchequer, why should they be disturbed against it? Secondly, if the European employés of Government suffered from the fall in exchange, Government itself, as representing the taxpayers, suffered much more from the same cause. When such a general misfortune has overtaken all classes of taxpayers, to single out a particular class for special relief by imposing additional burdens on the remaining classes, and these not well able to bear them, was entirely unjust. Thirdly, though it is quite true that the fall in exchange had considerably lowered the gold value of the rupee salaries, the salaries themselves were so excessively high, considering especially the great change that has taken place in the facilities and means of communication between England and India, that even with the fall in exchange they were very high. I think it will be admitted that non-official Anglo-Indian testimony on this point is very valuable. The Bombay Chamber of Commerce is recognised to be one of the foremost and most important representatives bodies of the English mercantile community in India. This Chamber, in writing to the Finance Committee on the subject of reduction of expenditure in 1886, thus wrote on the subject of salaries paid to Englishmen in India:—"The question of the salaries paid by Government to its servants is one on which the Chamber holds very decided views. The just apportionment of remuneration to the exact quality and quantity of work done may, from the standpoint of individual cases, call for very nice discrimination and intimate knowledge of the circumstances surrounding each appointment;

" but the Chamber, having many amongst its
 " members in a position to form a true estimate
 " of the standard of pay necessary, at the present
 " day of widespread education and keen and
 " increasing competition among the members of
 " the middle classes for responsible employment,
 " to ensure the attainments required from civil
 " servants, covenanted and uncovenanted, does not
 " hesitate to say that the entire scale of remuneration,
 " but more especially of the senior classes, is pitched
 " at too high a level. At the time existing rates
 " were settled, not only did the requisite educational
 " acquirements command a higher premium than they
 " do now, but there were other considerations calling
 " for monetary compensation. In former days an
 " Indian career practically entailed expatriation,
 " officials frequently lived very solitary lives, were
 " exposed to exceptional temptations, and exercised
 " great responsibility. In latter years these conditions
 " have been greatly mitigated, and in some cases
 " thoroughly reversed. Communication with England
 " is constant and rapid, life in India is healthier and
 " attended with more comfort and less expense, whilst
 " control is so centralized that responsibility is, in a
 " great measure, taken out of the hands of officials
 " except of the highest ranks. Under these circum-
 " stances, a revision of all salaries, but particularly
 " those above, say, Rs. 1,000 per month, is manifestly
 " justifiable and called for. In all recent discussions
 " on this subject the decline in sterling exchange
 " has been urged as a strong argument for non-
 " reduction; but in the view of this Chamber that is a
 " matter which Government should not take into
 " account. What it has to look to is purely the
 " amount it must pay under all existing conditions
 " and circumstances, in order to secure the necessary
 " qualified labour in this country, leaving individuals
 " themselves to provide for the wants of their families
 " in Europe, and their own requirements for leave.
 " The Chamber, in fact, would go even further than
 " this, and advocate that, under the new rules for
 " future contracts, all civil pensions and retiring
 " allowances should be paid in the currency of the
 " country. India is no longer a *terra incognita* to
 " the educated classes of England, and even under the
 " comparatively less tempting inducements indicated
 " above, the Chamber feels convinced that there would
 " be no lack of suitable men ready and anxious to
 " recruit the ranks of the service. This naturally
 " leads to the consideration of the economy practicable
 " by a larger employment of natives. Much might,
 " doubtless, be saved in this way, particularly in
 " connexion with the Judicial Department, where the
 " opening for efficient native agency seems widest;
 " but the Chamber is not prepared to formulate, nor
 " possibly your Committee to discuss a settled scheme
 " for the entrance of natives into the covenanted and
 " uncovenanted series."

18,352. May I ask what you mean by all "classes" ?
 —Well, the whole country, because we had to pay
 increased taxation, or rather we did not get the relief
 we might otherwise have got.

18,353. "General misfortune had overtaken all
 classes" would rather seem to me to mean that every
 class in India had suffered by the fall in exchange ?—
 The taxpayers; I would modify it in that way.

18,354. And when you say that all classes have suffered,
 you mean that, in order to provide this exchange com-
 pensation allowance, money was appropriated to it
 which might have been applied to other better objects ?
 —That is what I mean.

18,355. (Sir William Wedderburn.) All classes of
 taxpayers, I suppose ?—I should put it like that.

18,356. (Chairman) When you quote the Chamber
 of Commerce as an advocate that all civil pensions and
 retiring allowances should be paid in the currency of
 the country, have you turned your attention to what
 is done in colonies ?—No, I only place before the
 Commission the Chamber's view.

18,357. But I presume you are supporting that view ?
 —It commends itself to me; yes, I support it.

18,358. Do you know at all what is the rule in
 Ceylon ?—No.

18,359. Perhaps I might mention it to you; there, I
 believe I am right in saying, the salaries are fixed in
 rupees ?—I am glad to hear it.

18,360. I want to see what the Chamber of Commerce are asking in this respect?—Well, they ask for a reduction of the salaries of the civil servants.

18,361. Yes, but they say here that “all civil pensions and retiring allowances should be paid in the currency of the country”?—Yes, they go further, and say that the pensions of civil servants, which are fixed at 1,000*l.* sterling, should also be fixed and paid in the currency of the country.

18,362. That is what they mean, that this rule should be confined to the pensions paid in this country?—Yes, all pensions that are drawn in sterling should be fixed and paid in rupees; that is what they mean. I will give you an illustration: Take the uncovenanted civil servants; their pensions were fixed at *Rx.* 500 a year. In several cases they were 600, but 500 was the general rule. When the rupee began to go down, they agitated for a special concession. Sir Henry King espoused their cause, and in 1890 they got a special rate fixed at which rupees should be turned into sterling, namely *l.* 9*d.* Here were rupee pensions which were converted into sterling at a fixed rate.

18,363. That is to say, those pensions were practically fixed in sterling?—They were fixed in rupees originally but they were converted into sterling in 1890.

18,364. But from that time they were practically in sterling?—They were practically in sterling, yes.

The letter of the Bombay Chamber continues:—“All I am instructed to lay stress upon in that direction is that, when Government decide on the competence of Natives to hold certain posts, due allowance should be made in fixing their pay for the proportionate cost of living and expenditure between them and Europeans of a like grade.”

Fourthly, assuming that some relief was needed, it was most unfair to give the allowance to all. I mean men who went out to India after the rupee had fallen below *l.* 4*d.*, i.e., who accepted the rupee salaries with their eyes open, as also those who had no remittances to make to England—these, at any rate, ought not to have been granted the allowance. This indiscriminate nature of the grant constitutes, in my opinion, its worst and most reprehensible feature. No wonder after this that the Indians should feel that India exists for the European services and not the services for India. While the miserable pittance spent by Government on the education of the people has stood absolutely stationary for the last five years on the ground that Government has no more money to spare for it, here is a sum larger than the whole educational expenditure of Government given away to its European officials by one stroke of the pen.

The salaries of some of the officers are fixed in rupees by statute. The grant to these men seems to be illegal as long as the statute is not amended. The question, I understand, has been raised, but it has not yet been disposed of by the Secretary of State. Meanwhile the allowance continues to be paid to these officers pending such disposal.

18,365. The next branch to which I would call your attention is that of Education?—The meagreness of the Government assistance to public education in India is one of the gravest blots on the administration of Indian expenditure. No words can be too strong in condemning this neglect of what was solemnly accepted by the Court of Directors in 1854 as a sacred duty. During the last four or five years the Government grant to education has been absolutely stationary. In 1891–2 it was *Rx.* 889,173.

18,366. (*Sir James Peile.*) Is that net or gross?—Gross; the receipts have not been deducted, but, if they were deducted, it would be still worse. In 1894–5 it was *Rx.* 910,972, showing an increase of only *Rx.* 21,800 in four years. But even this increase was only an addition to the salaries of European officials in the department in the shape of exchange compensation allowance, as may be seen from the fact that while there was no charge for this allowance in 1891–2, in 1894–5 the compensation to educational officers was *Rx.* 18,800. About *Rx.* 30,000 is the increase in five years. Side by side with this might be noted another fact, viz., that during these same four years the Government expenditure on public education in Great Britain and Ireland increased from 5 millions to nearly 9 millions sterling—the contrast is too powerful to need any comments. One cannot help thinking that it is all the difference between the treatment of children and step-children. There are more than 537,000 towns and villages in India, with a

total population of about 230 millions, and yet there are less than 100,000 public primary schools for them. The population of school-going age in India is about 35 millions, out of whom only about 4 millions (including those attending private or unaided schools) are under instruction, which means that out of every 100 children of school-going age, 88 are growing up in darkness and ignorance and consequent moral helplessness. Comment on these figures is really superfluous.

I may add that in 1888 the Government of Lord Dufferin issued a Resolution, which amounted to a virtual change of policy in the matter of education. Only four years before that Lord Ripon had issued a Resolution, addressed to all Provincial Governments, urging them to increase their expenditure on education and even offering assistance from the Imperial Exchequer, where absolutely necessary. In 1888, however, Lord Dufferin directed the Provincial Governments, in express terms, to gradually reduce the share contributed by Government to public education.

18,367. (*Chairman*) Has the Resolution been published?—Yes, it is appended to Sir Alfred Croft's review of education from 1882 to 1886. It was published in 1888.

18,368. (*Sir James Peile*) I do not get the figures to correspond to yours?—If I get a copy of the Statistical Abstract, I will show them.

18,369. I think you have not taken education managed by local bodies?—No, of course not; that is separate altogether.

18,370. Why?—That is local taxation, it is not contributed from provincial revenues. In the Statistical Abstract itself the figures are represented separately. The first column is from provincial revenues, the second is from local rates.

18,371. But local rates, that means one-third of the cess on land revenue?—Yes, but that is for local purposes. According to your view municipal money might also be added.

18,372. Certainly?—That is not a Government contribution. The 5 millions and 9 millions I have spoken of as expenditure in England do not include local rates.

18,373. You are merely giving what the Government itself provides out of the taxation fund?—It might be said that is local taxation, whereas this is provincial taxation.

18,374. Did you include the scholars who were taught in the local rate schools in the total that you took?—I have taken all.

18,375. (*Chairman*) Are the 4,000,000 scholars you have mentioned out of 85,000,000 aided out of local rates as well as out of the public taxes?—And even those attending schools not aided. There are some schools in India that receive no aid from Government. Anybody who attends a school is included.

18,376. (*Sir James Peile*) The number of educated persons has largely increased?—Well, of course they must increase in that way.

18,377. It is always increasing. It is increasing, and it began from a very low scale indeed under native rule?—That I admit. But of course the British Government should never think of comparing itself with previous Governments in such matters.

18,378. It must begin where they left off, you know?—What I complain of is this change of policy. Lord Dufferin distinctly called on Provincial Governments to reduce their educational expenditure.

18,379. On higher education?—No, on all education.

18,380. You mean that he wished to elicit the spontaneous energy of the people in promoting education. That is what he says, I presume?—He says the share of Government must be reduced, that is all he says.

18,381. On what ground?—He says the work of Government is to pioneer the way; that is how he puts it. That has been done, and now these things must be left more to the people.

18,382. Was not that what Lord Ripon said four years previously?—No, certainly not.

18,383. (*Chairman*) You have not got that Despatch here?—I could give you the reference. There was the

review of the education in India by Sir Alfred Croft, Director of Public Instruction in Bengal, after the Education Commission. It is the first quinquennial review published by Government, and there is prefixed to that review a resolution of the Government of India dated June 1888, passed upon it. If that volume is brought I would read it to you. I wanted to bring my copy, but it was too heavy.

18,384. While the book is being got out, perhaps we might pass on to the subject of railways?—Yes, my friend Mr. Wacha has gone into this question in great detail, and I will only add one or two observations to what he has said. In the evidence already recorded by the Commission, satisfaction is expressed in one or two places that in India the working expenses of railways form a smaller percentage of the total railway receipts than in England, and the conclusion seems to be drawn that Indian railways are constructed and worked more cheaply than English railways.

18,385. Are you putting that forth as a grievance?—No, no; I am only stating what strikes me as a conclusion not quite warranted.

18,386. The fact remains that railroads were constructed cheaply, whatever the reason?—Not cheaply as judged by the Indian standard; certainly cheaply compared with the English standard. If they used more native agency, the working expenses would be even lower. Before the Fawcett Committee the whole question was gone into. In the case of the Great Indian Peninsular the actual expenditure very largely exceeded the estimates; it nearly came to double the estimated amount. Mr. Thornton, who was Secretary in the Railway Department, I believe, has himself stated that the whole thing was done very badly and very extravagantly.

18,387. But the fact still remains that of almost all the railroad systems the working expenses of the Indian railways bear the smallest relation to the gross receipts; therefore that means that as a Government speculation, it is a beneficial one?—I do not think so, my Lord, for this reason, that our wages are very low, and therefore the working expenses must be low.

18,388. Still that does not alter the fact that the undertaking is a profitable one, that is all?—I will make a few remarks on that afterwards.

18,389. I say that, if the working expenses of a railroad are 45 per cent. of the gross receipts, it shows that the undertaking is more profitable than if they are 70 per cent.?—That is true.

18,390. I do not want to go further than that, because that is quite sufficient for me?—I might, however, state that this lower percentage of working expenses is not peculiar to our railways only, but is, in fact, a necessary condition of all industrial undertakings in India. Labour with us is very cheap, while capital is very dear, so a much larger margin is necessary for profits, and a much smaller one suffices for the working expenses than is the case in England. The mere fact, therefore, that the working expenses of Indian railways form a smaller percentage of the total receipts than they do in England does not in reality prove anything. Meanwhile it may fairly be asked, if Indian railways are, on the whole, a profitable undertaking, why do English investors, with all their enterprise, almost invariably insist on a Government guarantee of interest in one form or another? There was an excuse for the first companies requiring such a guarantee. But after so many years' experience of Indian railways, and after so many protestations, both from the existing companies and from Government, that there is a great, a prosperous, future for Indian railways, it is astonishing to see that every new scheme proposes that all elements of risk and possible loss should be shifted on to the Indian taxpayer, securing an absolutely safe, clear percentage of profit for the English investor. So long as the Indian Government has to bear a net loss on railway account, no matter from what cause, so long it is futile to represent the Indian railway enterprise, whatever may be its other advantages, as a commercial success.

18,391. Then may I take it that the conclusion you draw from this is, that it is a mistake to have made any railroads at all?—I do not say that.

18,392. I do not see, if you speak of Indian railway enterprise in these very strong terms, that any other

conclusion is left to you?—I explained yesterday that, so far as the main trunk lines were concerned, the only complaint we would make is that they have been constructed in a very extravagant manner, as was given in evidence before the Fawcett Committee; but the increased activity which the Government is showing now is not required. I make a distinction between the main trunk lines and the other lines that are now being constructed.

18,393. Are you able to say that the cost of construction, as compared with railroads in other countries, is very dear?—I am not prepared to say that.

18,394. If you are not prepared to say that, is it quite fair to speak in strong terms about the extravagance?—Extravagant about what?

18,395. As I understood your words, they were that the cost of construction of the railways has been very extravagant?—Of the earliest railways. The earliest railways were constructed in a very uneconomical manner.

18,396. I did not hear you limit your criticism to the earliest railways; but, on the whole, are you prepared to say that the mileage expense of construction in India has been extravagant compared with what it has been in other countries?—Well, I have not looked at it from that point of view.

18,397. I think, from your evidence, one would gather that that was your view?—No, my view is this, that there is a net loss which the State has to bear on the railway account, and, as there is greater and greater activity, there will be even more and more.

18,397a. I quite understand that you would now prefer caution; you would not go so fast; but your recent evidence has been founded upon the charge of extravagance; and I want to know whether you have actually gone into the charges, and been able to satisfy yourself that the cost of the construction of railways in India was dearer than it is in other countries, and, therefore, open to the charge of extravagance?—I fear I must not have expressed myself clearly. What I meant was that the railway lines that were first constructed were constructed extravagantly; and, so far as that is concerned, I can give some evidence; but, in regard to the lines that are now being constructed, I do not think they are being constructed wastefully or extravagantly. I do not say so; but I mean that this rushing of programme after programme is burdening us with responsibilities.

18,398. Now, with regard to the earlier railway lines, have you ever heard that the earlier lines in almost every country have been constructed at a very high rate?—That may be; but in the construction of the earlier Indian railways there was a great waste in India, which was condemned as culpable by men who knew the subject—by men like Mr. Thornton, who had been connected with railways for a long time. Bridges had to be re-constructed; there was such lack of supervision, and a great deal of money was misappropriated, and things of that kind; there was a great waste in all that.

18,399. Is that a criticism of individuals, or a criticism of any responsible body?—Mr. Thornton appeared before the Fawcett Committee as a responsible representative of the Government of India; and in 1867, when the Government decided to build on its own responsibility, it drew up a long statement of the whole case; and there also it dwelt upon the wasteful character of the expenditure of the guaranteed companies owing to the want of proper check. These facts are all admitted by the Government. I have no fault to find with the present railway construction of Government on the ground of extravagance or wastefulness. What I mean is, that the revenues of the country are being burdened in an increasing proportion with these liabilities.

18,400. Of course there is another matter to be taken into consideration; namely, that a railroad, which opens up a country, confers considerable benefits upon the country, which may be fairly purchased even if the railroad is not worked at a profit, and if it becomes a charge, in consequence, upon the taxpayer?—Yes; but that becomes then a question of which benefit is comparatively greater. I would prefer Government spending much more on education to its bearing this net loss on railways.

18,401. But that is a preference of your own?—Oh, yes.

18,402. In this case you dwell, in dealing with the railroads, upon the fact that the State has to pay a certain sum towards the expenses of the railroads, but you omit any allusion to the fact that the opening up of the country in itself is usually held to confer a benefit on the inhabitants, which benefit must be set against any such loss as that of which you speak?—But I have said in my evidence that “whatever the other advantages may be,” from the financial point of view I find fault with it. I say, “So long it is futile to represent the “Indian railway enterprise—whatever may be its other “advantages—as a commercial success.”

18,403. You say “as a commercial success.” It may be a commercial success on account of the benefit which it confers upon the country generally, even though it may cost the Government something. However, perhaps you will proceed?—I have two suggestions to offer on this subject of railways. The first is, that the time has now come when the same restrictions that now exist on the outlay of public money on unproductive public works, should be imposed in the case of these so-called productive works also; these restrictions being, that in future all Government expenditure on these works, direct or indirect, should be out of surplus revenue only, and not out of borrowed money. A new programme, costing 28 crores of rupees, has just been announced, and a private letter which I received from India by the last mail says that it has been sanctioned in spite of the protest of the Finance Member, Sir James Westland. When one remembers that the condition of Indian finance is at present most depressed, that all really important lines have been already constructed, and that many of the most pressing needs of the country, such as education, receive no attention from the Government on the ground of the poverty of its exchequer, one cannot help thinking bitterly of this reckless profusion of Government in the matter of railway construction, especially as the Indian people feel that this construction is undertaken principally in the interests of English commercial and moneyed classes, and that it assists in the further exploitation of our resources. The second suggestion is that the guaranteed railways should be taken over by Government at the first opportunity in each case, without exception. The waiver of the right to take over the Great Indian Peninsular Railway 20 years ago was very unfortunate. Apart from the loss entailed by the high guarantee, by the unfair manner of calculating the surplus profits, and by their calculation six-monthly, instead of yearly, there is another very deplorable loss which the Indian exchequer must bear in the matter of these guaranteed railways. The shares of these companies are at a high premium, and that is due, in great measure, to the Government guaranteeing a high rate of interest. The premium thus is, to a considerable extent, only artificial, and yet Government must pay it when it has to take over these railways.

18,404. That really means, does it not, that you would put a stop to railroad extension now almost entirely?—Unless funds can be supplied out of revenue.

18,405. Quite so; but the surplus having been comparatively small, it would mean, would it not, that practically no railroads would be made?—If it comes to that I would be prepared to accept that.

18,406. (*Sir William Wedderburn.*) Looking to the very difficult position of Indian finance, you think that railways are a luxury for which the country can wait a little, though they do desire them?—That is my view; that is also Sir Auckland Colvin's view.

18,407. (*Chairman.*) Would you really impress it on the Commission that the Secretary of State and the Government of India have undertaken these railways principally in the interests of English commerce and commercial moneyed classes; is that a direct charge of yours?—That is the impression in India, because the facts are there. Whenever a Viceroy goes out to India there is a deputation that waits on him, and they put pressure upon him to construct these railways, and he makes a promise, more or less, that he will do his best. There is no feeling in India that there should be these railways—the Finance Member is opposed to them. The Famine Commission recommended that 20,000 miles of

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railways would be practically sufficient, so far as protection from famine was concerned—that total has been reached, and still there is a new programme of 28 crores.

18,408. (*Sir James Peile.*) Not for protective lines?—I have not caught the question.

18,409. The 28 crores contain no protective lines?—We do not want any more of their lines; spend more on education for the present, and afterwards on railways. You are going in one direction and going in no other directions. All these railways cannot be a disadvantage—I am prepared to admit that—but it is a question as to which advantage is greater.

18,410. (*Chairman*) And do you hold that the Viceroy is only a registrar of what the commercial classes here choose to tell him?—Not choose to tell him, but the pressure is felt by the Secretary of State owing to the peculiar position of English politics.

18,411. You do not think it possible that the Viceroy may think this policy for the advantage of India?—It is difficult to put the thing exactly that way I rather hesitate to put the thing as strongly as that, but more or less that is the impression.

18,412-3. But you have stated that this construction is undertaken principally in the interest of the English commercial and monied classes?—That is what we feel.

18,414. And I think anybody listening to that must feel that you are yourself supporting the idea that the Viceroy was not doing this mainly in the interest of the Indian public, but principally in the interest of the monied classes here?—That is the only conclusion that we can derive from certain facts. I will mention one. In 1879 a Parliamentary Committee sat to inquire into this subject of public works. Well, after a great deal of careful inquiry they recommended that 2½ millions a year should be the limit of borrowing for Indian public works. Of course, the Secretary of State and the Government of India between them can alter this limit; and, as a matter of fact, they have not been acting up to that limit lately. This new programme of 28 crores, which is to be finished in a short time, also shows that they are setting aside this limit; so the impression that we have is that it is all undertaken more in the interests of the commercial classes.

18,415. (*Sir William Wedderburn*) Has any great native Association, like the Indian National Congress, ever pressed for that rapid extension of railway communication?—Never.

18,416. In the 12 years in which they have made representations to Government, that has not been included in their programme?—Never.

18,417. Therefore, you assume that it has not been owing to Indian pressure, but it has been owing to English pressure that this activity has gone on?—Yes. That is my view.

11,418. (*Chairman.*) Now we come to the Famine Insurance Fund?—All statistics on the subject of this fund are already before the Commission. Of late years, there has been a great deal of controversy as to the real object with which the fund was created. I think the best evidence that I can offer on this point is to quote the following extract from the Report of a Parliamentary Committee, which examined in 1879 the subject of public works in India, and of which Lord George Hamilton was chairman:—“During the financial years 1877-78 and 1878-79 additional taxation was imposed in India in order to establish an annual Famine Insurance Fund of 1,500,000*l.* That amount was fixed with reference to the famine expenditure, which, during the last six years, had amounted to the enormous sum (excluding loss of revenue) of 14,487,827*l.*, of which a very large portion had been met by borrowing.”

18,419. (*Sir James Peile.*) Will you give us what that taxation was; you say taxation; what taxation?—The special taxes that were imposed by Lord Lytton.

18,420. What were they?—Well, the license tax was imposed, the officers of Government and certain other classes were exempted, but then the traders and such other persons were taxed; it was known as the license tax.

18,421. The question is what the license tax Act said ; was it said in the Act that it was imposed to establish a fund of 1,500,000? P.—Well, the proceeds of the license tax were to form a famine fund.

18,422. Was it mentioned at all or referred to in the license tax?—I cannot say exactly what was contained in the Act itself, because I never thought anything of that.

18,423. It would all depend on that, would it not?—I have read the Viceroy's speech.

18,424. The object of the taxation would be stated in the legislation which established the tax?—I have read the Viceroy's speech and Sir John Strachey's speech on that occasion.

(*Sir James Peile.*) I gave in Mr. Wacha's evidence the preamble of two Acts which were passed in 1878 or 1879, one for the North-West Provinces and the other for the Punjab, in which I showed that the taxation was imposed—local rates it was—to strengthen the general finances in order to enable them the better to deal with the relief of famine. It was not said the taxes were set aside as part of the Famine Fund, as it is called.

18,425. (*Mr. Naoroji.*) You are reading now an extract from the report of the Parliamentary Committee?—I quoted from a report by a Parliamentary Committee, of which Lord George Hamilton was president.

18,426. (*Chairman.*) Yes, but I think the legislation itself is better evidence than what somebody said about it?—It depends on the view you take of the matter. I have in my hand here a despatch written that very year by the Secretary of State to the Government of India on this same subject of famine insurance. Lord Cranbrook there also uses precisely the same language. I will read from that after I have finished the extract from the Committee's report, but he uses precisely the same language.

18,427. Yes?—This is what the Parliamentary Committee says:—"The object, therefore, of this Famine Insurance Fund was, by increasing the revenue, to avoid the constant additions to the debt of India which the prevention of periodical famines would entail, by either applying that increase of income to works likely to avert famine, and thus obviate famine expenditure, or by reducing annually debt contracted for famine, so that if famine expenditure should again become inevitable, the reduction of debt made in years of prosperity would compensate for the liabilities incurred during scarcity. This increase of taxation was sanctioned by the Secretary of State in Council on this understanding. Last September, the Home authorities received a despatch from the Indian Government adverting to the difficulty of discriminating between works strictly productive, and those only admissible as providing against the effects of famine, and proposing 'to accept a yearly maximum dead-weight charge, to be fixed, as experience may suggest, for works constructed as productive, whether under the existing strict conditions, or as now proposed, in order to prevent famine or give protection from famine, or diminish the expenditure for the counteraction of famine, if it occurs.' In other words, 'they would limit to a specific maximum amount the net expenditure for the interest on the capital cost of all such works and their maintenance, after setting off all the net income yielded by the works.' In addition to the annual loss entailed by their net existing liabilities, they proposed to add an annual sum not to exceed 25 lakhs of rupees, and they thought that that amount might form a primary charge upon the Famine Insurance Fund on the consideration that the construction of any works not fully productive, according to the existing definition, which may be thus facilitated, will cause an equivalent reduction of the ultimate liability on account of famines when they occur.' The first portion of this proposition has been already suggested by the Indian Government in 1876, and rejected by the Secretary of State in Council. The latter part of the suggestion by which it is proposed to permanently assign 25 lakhs of rupees of the Famine Insurance Fund, in order to raise money for the construction of famine works, not fully productive, is an entire inversion of the object for which the fund was raised. This increase of taxation was justified as necessary, in order to meet, as far as was possible, famine expenditure for the future out of income; but to immediately appropriate a portion of the income so raised to pay the interest of new loans was a proposal which, in

“ the opinion of your Committee, the Secretary of State
 “ in Council had no option but to reject.” Lord George
 Hamilton is now Secretary of State for India, and,
 judging from a recent debate in the House of Commons,
 his Lordship seems to have forgotten what he wrote in
 1879 as chairman of that Parliamentary Committee.
 The Indian people, however, have a better memory.
 There is another document that I would also put in
 here with your Lordship's permission, and that is a
 despatch written by Lord Cranbrook on the 20th Febru-
 ary, 1879, on this same subject of the Famine Insurance
 Fund, and therein he expresses precisely the same
 views. In paragraph 6 he says —“ It had been laid down
 “ by Lord Northbrook in 1874, ‘that, besides a fair
 “ surplus of income over ordinary expenditure, such
 “ a margin should be provided, in addition, in ordi-
 “ nary times, as shall constitute a reasonable provision
 “ for meeting occasional expenditure upon famines’;
 “ and, in referring to the subject in the debate of the
 “ 27th of December, 1877, Sir John Strachey mentioned
 “ the argument of Lord Northbrook, ‘that, if this
 “ surplus were devoted to the reduction of debt, or
 “ to preventing the increase of debt for the construc-
 “ tion of reproductive or public works, in years of
 “ ordinary prosperity, there would be no objection
 “ to the public expenditure exceeding the public
 “ revenue in occasional years of adversity, so that we
 “ might then, without objection, meet the charges on
 “ account of famine from borrowed funds, to the full
 “ extent to which our surplus had permitted the dis-
 “ charge of debt or prevented its increase.’” Then
 Lord Cranbrook proceeds to say:—“The cost of the
 “ famines was estimated, on an average of years, at
 “ about 1,500,000*l.*, and provision was made for meeting
 “ this expenditure by measures of financial decentrali-
 “ sation, and by new taxation. ‘The Government of
 “ ‘India,’ said Sir John Strachey, ‘intends to keep
 “ ‘this million and a half as an insurance against
 “ ‘famine alone; . . . we consider that the esti-
 “ ‘mates of every year ought to make provision for
 “ ‘religiously applying the sum I have mentioned to
 “ ‘this sole purpose; and I hope that no desire to
 “ ‘carry out any administrative improvement, how-
 “ ‘ever urgent, or any fiscal reform, however wise,
 “ ‘will tempt the Government to neglect this sacred
 “ ‘trust.’” That is a quotation from Sir John
 Strachey's speech which Lord Cranbrook has given
 here. Then he proceeds to show how the hypothecation
 of 25 lakhs of rupees would be an inversion of the fund.
 The whole thing is, in fact, stated as we have it there
 in the Parliamentary Committee's report, which I have
 already quoted. Further, in 1884 there was another
 Parliamentary Committee on Indian Railways, and this
 Committee also went into the subject of the Famine
 Insurance Fund. Lord George Hamilton was also a
 member of this Committee, Mr. Arthur Balfour was a
 member, the late W. H. Smith was a member. This
 Committee of 1884 wrote about this question as
 follows:—“Having regard to the certain recur-
 “ rence of periodical famines, and being of opinion
 “ that the cost of famine reliefs should not be added
 “ to the permanent debt of the Company, the Govern-
 “ ment of India established, in 1878, an annual Famine
 “ Insurance Fund of 1,500,000*l.* This sum was fixed
 “ upon the calculation that famine reliefs would cost,
 “ in every 10 years, 15,000,000*l.* And the additional
 “ taxation required to provide the Famine Insurance
 “ Fund was sanctioned by the Secretary of State in
 “ Council, on the understanding that the revenue thus
 “ raised should be applied to the construction of works
 “ likely to avert famine, or to the reduction of debt
 “ contracted for famine expenditure. Proposals have
 “ more than once been made by the Government of
 “ India to hypothecate a portion of the annual Famine
 “ Insurance Fund to the payment of interest on money
 “ borrowed for the construction of railways. But the
 “ Secretary of State in Council has declined to sanction
 “ these proposals, and the Select Committee of 1878-79
 “ were also of opinion that the appropriation of a part
 “ of the Famine Fund for the payment of interest on
 “ loans raised to be expended on famine works, not
 “ fully productive, would be an entire inversion of the
 “ object for which the fund was created.” They repeat
 that again later on too; that is the gist of the whole
 thing.

18,428. (*Sir James Peile.*) That is all very well, Mr.
 Gokhale, but has not that been substantially carried
 out?—No. You pay now the interest of the Bengal-

Nagpore and Indian Midland Railways out of the Famine Insurance Fund.

18,429. That is looked upon as a protective line, but that is a small item. What I wish to draw attention to is the statement made by Sir James Westland in the last financial statement. You saw, no doubt, that in 15 years 17,500,000*l.* of famine grant surplus had been actually expended. You object to one item, but I think there were 10,000,000*l.* on railways and 5,000,000*l.* on the redemption of debt, the total being 17,500,000*l.* in 15 years. Now, there was no absolute legal obligation to put aside the 1,500,000*l.*, whether there was a surplus or not. There must be a surplus before you can put it aside, and the Government of India have actually managed to put aside 17,500,000*l.* in 15 years; also they have lately decided that, the protective railways being now completed, it is no longer necessary to put aside so large a sum as 1,500,000*l.* surplus, but that 1,000,000*l.* would suffice. I want to know what your grievance is?—I believe Mr. Jacob has given all the figures connected with this, and they are published in one of the appendices of the first report of this Commission. There the figures are given from 1879 or 1880 up to the present. During five years, during Lord Dufferin's time, the allotment for the famine grant was very small; and then for several years past this hypothecation of a portion for paying the interest on railways, which was expressly condemned by two Parliamentary Committees, and by the Secretary of State twice, has been also now allowed, and our grievance is in respect of this; when the fund was first created, it could be devoted to two objects only, namely, either to capital expenditure on the construction of productive public works, or to paying off debt; on no third object was it to be used.

18,430. Not on direct famine relief?—I beg pardon, that was, of course, implied; in fact, Lord Cranbrook called on the Indian Government to transmit every year half the money to England to be invested, or paid off in discharge of previous liabilities; that was the original idea of the fund. How the fund is now administered is well known.

18,431. (*Chairman.*) The Government of India has changed its view on certain matters; it is not bound not to change its view as long as it maintains a sufficient reserve?—No doubt; but special taxation was imposed.

18,432. (*Sir James Peile.*) I combat that, and ask: is there a special taxation?—There is.

18,433. There is the law?—And there are the speeches of Sir John Strachey.

18,434. And there are the Acts?—I should take my view of them from—

18,435. More from what people say than from legislation?—More from what a responsible Secretary of State says.

18,436. Than from legislation?—The Secretary of State sanctioned the taxes.

18,437. Than from the legislation itself?—I have not seen the Act; I cannot say anything.

18,438. You have not looked up the Act?—I did not think anyone would dispute what the Secretary of State himself had said about his own object.

18,439. Not when he legislates and puts his thoughts into an Act. Is not what he says in an Act of Parliament more important than what he says as an *obiter dictum*?—Here he distinctly says that the legislation was sanctioned on this understanding; the understanding of the Government of India would not appear in the Act.

18,440. Your claim is upon a pledge given by the Government, not upon any legislation?—Yes.

18,441. (*Sir William Wedderburn.*) It is not upon any legislation, but it is upon a personal pledge given by the Government that they were raising the money for a special purpose, and making it a sacred trust. That is your ground?—Yes.

18,442. The Government never made it a sacred trust; such words were only used?—Lord Lytton said, to say anything else is to insinuate a calumny; those were the words he used.

18,443. (*Chairman.*) There have been quotations made from Sir John Strachey, but I think it rather interesting to take the whole of his statement. Sir John Strachey, in explaining, on the 27th of December

1877, to the Legislative Council in India the measures that had been taken, said:—"It is the firm intention of the present Government to apply the funds now to be provided for this special purpose, strictly to the exclusive objects which they were designed to secure. In such matters, no doubt, Governments cannot fetter their successors; and nothing that we could now say or do would prevent the application of this fund to other purposes. Without thinking of a future far removed from us, events might, of course, happen which would render it impossible even for us, who have designed these measures, to maintain our present resolutions. So far, however, as we can now speak for the future, the Government of India intends to keep this million and a half as an insurance against famine alone. In saying this, I should explain that we do not contemplate the constitution of any separate statutory fund, as such a course would be attended with many useless and inconvenient complications, without giving any real security. Unless, then, it should be proved hereafter by experience that the annual appropriation of a smaller sum from our revenues will give to the country the protection which it requires, we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose"; and this is the point which has been relied on after the statement that has been quoted:—"And I hope that no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust." Here, in the speech in which Sir John Strachey explains the Bill which he is going to bring in, he especially says that, if it should be proved by experience in the future that the annual appropriation of a smaller sum will suffice, it may be varied, and, further than that, he expressly says that he cannot bind future Governments. Now, I do not think you can say that such a speech as that creates a sacred trust which can never be departed from. And, further than that, I would ask you this: Would you really mean to say that because a statesman said, 20 years ago, that a certain charge is necessary, that that statement is to be binding for all time?—In regard to the first part of your Lordship's question, I may say I was aware of that quotation from Sir John Strachey's speech. It was used in the recent debate by either Lord George Hamilton or Sir Henry Fowler. I was careful, therefore, not to make any quotation from Sir John Strachey myself. That quotation is one given by the Parliamentary Committee and another by Lord Cranbrook himself, and I only read those two extracts; but Sir John Strachey was there only speaking as a member of Council; Lord Cranbrook, however, showed on what grounds the formation of the fund and the imposition of the tax were authorised by him. I believe that ought to dispose of that first question. In regard to the second, I quite admit that a mere declaration made 20 years back need not always be binding, but the Government should openly come forward and say so. When Lord Dufferin, for instance, wanted to take away a large portion of the Famine Grant, what he should have done was this: He should have formally announced that the Famine Insurance Fund, for which extra taxation was imposed, no longer could be contributed to in that manner. In fact, what the Government did was to take advantage of the Famine Insurance Fund in that year, and escape the additional unpopularity which would have come to them, if this fund had never been created, from the imposition of new taxes. If there had been no Famine Insurance Fund in 1886, Lord Dufferin would have been compelled to put on certain extra taxes, when he wanted extra expenditure. But, having been able to take advantage of the Famine Grant as it stood, they escaped that unpopularity.

18,444. Now, it appears to me to be the judgment of the Government at present that the end for which the Famine Fund was established has been accomplished, that this sum of 17,000,000*l.*, which has been applied, has accomplished the end, and that they are in a position now to reduce the annual sum to 1,000,000*l.* What do you say about that? Do you consider that they are entirely wrong, that the works up to the present are not sufficient, and that this dictum of 20 years ago is to be as if it were a sacred communication from on high which is never to be departed from, namely, that 1,500,000*l.* in good weather or bad weather, adversity or prosperity, is to be spent by the Indian Government, whether it is wanted or not?—I do not say that, but I would say this: that the reduction of the Famine Grant from 1,500,000*l.* to 1,000,000*l.* was decided on about a year

and a half or two years ago, when the present famine had not visited the country; in fact, the Government seemed to think that, because for a few years there had been no famine, therefore they need not take that possibility into account. The present famine has profoundly modified the situation; I should expect a change of view in the Government.

18,445. (*Sir James Peile.*) They never said they thought that there would never be any more famine?—They have not said that, but they thought they had made adequate provision for famine.

18,446. Did you see what Sir James Westland said as to the results of the Famine Grant, that, though the present famine is a very much more widely extended one than the famine of 1876, yet the Government anticipated that the expenditure would be considerably less; and that he attributed to the construction of protective railways from the Famine Insurance Grant?—That remains to be seen; if the famine extends over two years as it did 20 years ago, I fear things will be too horrible to think of. That is my view.

18,447. It is not necessary to assume that, in order to give a dark colour to the picture?—I do not want to, but you must compare like with like. That famine lasted two years; how can you compare that with this famine?

18,448. That is not what Sir James Westland did?—I have not read that speech; surely he would not compare two years with one.

18,449. (*Sir William Wedderburn.*) If the Government determined to vary that original arrangement and reduce the 1,500,000*l.* to 1,000,000*l.* do you not think it would have been a reasonable thing also to reconsider the special taxes, by which that money was raised, and, if only 1,000,000*l.* was wanted, to reduce the taxes that were to produce that sum?—Yes.

18,450. (*Chairman.*) I have a paper before me, which Sir William Wedderburn gave me, on the subject of the Famine Fund, and it carries the receipts from assessed taxes up to 17,000,000*l.* I am informed that that column is not a correct one. First of all, it leaves out the local assessments which were made for the purpose, and, next, it includes the extra money which was obtained when the license duty was converted into an income tax; and I am informed that practically these extra cesses and these license duties at the rate at which they were imposed under the bill of Sir John Strachey would not amount to more than 1,000,000*l.* a year?—My Lord, the Secretary of State, writing at that time, admits that the extra taxation was intended to raise this sum of a million and a half. That puts the Indian Government out of court, I believe, on this point, it is too late now to say that the extra taxes raised less than that amount.

18,451. I do not think it is so, begging your pardon; what I believe to be the case, is that he put it, the insurance against loss of revenue and actual expenditure on famine, at not less than Rx 1,500,000. The first step taken to meet this charge was to extend the system of decentralization of provincial finance, by which the Imperial revenue was relieved by about Rx. 400,000 a year; that is to say, Rx. 400,000 was added to the Imperial surplus. This left Rx. 1,100,000 to be obtained by taxation, and the extra taxation imposed was, therefore, to be Rx. 1,100,000 for this purpose, and, as a matter of fact, Rx. 1,100,000 was the produce of the extra taxation?—I would only make one observation, if your Lordship will allow me; I accept those figures which have been just now given by your Lordship. What I mean to say is that that is comparatively a small point. My complaint is two-fold. First of all, they have been paying interest out of the fund, which was repeatedly declared to be an entire inversion of the fund, secondly, when they first diverted the fund to other purposes, they never made an express declaration that they were so doing which, they were bound to make in view of the pledges which they had given before.

18,452. (*Sir James Peile.*) I want to revert for a moment to what I said about the resources of the people in time of famine, as shown in the ornaments being sent to the mints?—Yes.

18,453. I wish to read a paragraph from the Indian Currency Committee's Report. "During the period of the great famine of 1877 and the following years, large quantities of silver ornaments were minted. In three years no less than Rx. 4,500,000 were thus turned into money" ?—How much?

18,454. *Rx. 4,500,000?*—But for what population?

18,455. That you may take as a general statement. The famine affected the people in Madras and Bombay? —But it would indicate a very small amount of relief.

18,456. That is not the question?—Then what is it?

18,457. (*Sir William Wedderburn*) But from the fact of their ornaments having been sacrificed in the last famine we may assume that they are in a less favourable position to meet the present famine?—Certainly.

(*Sir James Peile*.) Why?

(*Sir William Wedderburn*.) Unless we know that they have been replaced.

18,458. (*Sir James Peile*.) But do you know that they have not been replaced?—You must also look to the habits of the people. The parting with ornaments in our case is like parting with hats and clothes and other things looked upon as necessary by the English people.

18,459. (*Chairman*.) The Indians are luxurious?—My Lord, it is only a small ornament here and there. But your Lordship may calculate how much that *Rx. 4,500,000* is per head. The people live in the most simple manner possible. Each girl that is married feels that she must have some small silver thing.

18,460. It shows a taste for luxury, which is expensive?—They spend next to nothing on their daily wants, and on their clothes and other things.

18,461. (*Chairman*.) But, with regard to what *Sir William Wedderburn* says, I think we have what looks very much like a proof that these ornaments have been replaced, because a very large amount of silver and gold has gone into India, which has not, as far as our returns go, been exported?—But who has absorbed that, that is the question. What classes have absorbed the gold and silver?

18,462. It only shows, as I say, the great taste of the Indian people for ornament, which is a form of luxury?—Just in the same way they have to spend large amounts on funerals. They groan under the system, and have to go to the money lender; but they must do it; it is the social life of the people.

18,463-4. (*Sir William Wedderburn*.) For a respectable Hindu woman to give up all her ornaments would be like a woman in this country parting with her wedding ring, so to say?—Yes. That would be a proper parallel.

18,465. (*Chairman*.) Now, would you pass on to the Civil Departments of the Bombay Presidency?—Yes, I now come to a criticism of the Civil Departments of my Presidency, on which subject, I understand, the Commission would like to hear my views. I may mention that a very exhaustive memorial criticising the working of these departments, from the financial point of view, was submitted in 1886 by the Poona Sarvajanic Sabha, of which I was Hon. Secretary for seven years, to the Finance Committee appointed by Lord Dufferin. In so far as the situation has undergone no change, that criticism has only to be briefly repeated on this occasion. Where the situation is altered, I must modify our observations of 10 years ago.

General Administration.—The total charge under this head in 1884-85 was about 12½ lakhs of rupees. In 1894-95 it was over 14½ lakhs. A large part of the increase is due to exchange compensation allowance. About half a lakh is due to the transfer of the charges of the Inspector-General of Gaols, Registration, and Stamps to this head. The increase in the Civil Secretariat is striking, being about Rs. 60,000. The expenses of the staff and household of the governor have also increased from Rs. 86,000 to over one lakh. It has long been felt that the Bombay expenditure under both these heads is on an extravagant scale. In Madras they manage things much cheaper. Madras is a larger Presidency than Bombay, and yet, in 1894-95, its Civil Secretariat expenditure was only Rs. 396,400, as against Rs. 414,000 for Bombay. Similarly the staff and household expenditure in Madras in that year was Rs. 46,000, as against Rs. 107,000 for Bombay. On this point I would suggest that the staff and household allowance in Bombay should be commuted into a lump-

sum of about Rs. 60,000 a year. The intermediate supervising staff of Commissioners of Divisions also comes under this head. Its cost in 1894-95 was over 3½ lakhs. This item of expenditure is a very heavy and perfectly needless drain upon the revenues. This institution of the Commissioners introduces an unnecessary step between the district and the headquarters of government, causes culpable delay in the speedy despatch of public business, and is opposed to the proper efficiency of the district government. The commissionership of the central division was, moreover, created 20 years ago, in consequence of the pressure of famine, and it ought to have been abolished as soon as the pressure had disappeared. *Land Revenue Administration.*—The charges under this head are about 65 lakhs and have for some years past been more or less steady. In the Presidency proper there are 12 senior and 9 junior collectors, with 41 assistant collectors. There is besides a large number of supernumeraries. Then there are about 50 deputy collectors and a large number of mamlatdars, one for each taluka. On an average, each district has one collector, two assistant collectors, one or two supernumeraries, and two deputy collectors, with a mamlatdar for each taluka. When the Revenue Department was first organised, the other Departments of the State were not formed, and the Revenue officers were the only officers whom Government could regard as its principal executive officers. Collectors therefore found it almost impossible to conduct their duties efficiently, and their staff had to be strengthened by the addition of assistant collectors; but during the last few years, most of the other Departments have been fully organised, and each Department has now its special staff of administrative and executive officers. Under these altered circumstances, therefore, there no longer exists the necessity of maintaining the staff of assistant collectors under the District Revenue Officer, except so far as the necessary provision of training some few covenanted civilians for district work might require. For this purpose, one instead of two or three—the present number of assistants—would be more than sufficient. This change, without affecting the efficiency in the slightest degree, will relieve the State of a needless and costly burden. The district in India is the proper unit of administration, the collector being the chief representative of Government in the district. The present scheme of district administration, however, is radically defective, and entails a large waste of public money. The great multiplication of Central Departments which has taken place in recent years has, while imposing a heavy strain on the finances, considerably weakened the position of the collector, and the machinery of administration has, in consequence, become much more vexatious to the people than it was before. The great fault of the existing system is that the number of inspecting, controlling, and supervising officers is wholly out of all proportion to the number of real workers. Government, in all its departments, fixes the salaries of its officers high enough to show that it trusts these officers, and expects from them efficient and conscientious work; but, after showing this mark of confidence, it imposes check upon check, as if no officer could be trusted to do his duties. Perhaps, such a state of things was inevitable in the early days of British rule, when everything had to be properly organised, and various administrative reforms had to be carried out. But now that things have settled themselves, and most of the work done is comparatively of a routine character, it is a sheer waste of public money to maintain such a system of checks and over-centralization. I have already spoken of the Divisional Commissioners, who are at present only a fifth wheel to the coach. In the North-West Provinces, Punjab, and Bengal there are, besides the Commissioners of Divisions, Revenue Boards of two or three members. This double or treble machinery serves no useful purpose beyond a nominal but very often vexatious check. It may be admitted that some check is necessary, but too much check defeats itself by becoming either vexatious or nominal or both. What is wanted is a check more real, by its being more on the spot. The district being a unit of administration, the collector's position should be that of the President of an Executive Board, consisting of his Revenue, Police, Forest, Public Works, Medical and Educational assistants, sitting together each in charge of his own department, but taking counsel in larger matters with the heads of the other departments under the general advice of the collector-president. To this Official Board the Chairmen of the District and Municipal Boards may be

joined as non-official representatives. These 10 members, thus sitting together, and representing as many departments, would form the best check on each individual department. With such a self-adjusting, simple, and effective system at work, the present complicated and less efficient system of check and over-centralisation might be dispensed with to the great relief of the people and of the finances of the Presidency. In fact, just as they have now got provincial decentralization, so if there was district decentralisation, things would evidently improve.

18,466. The next point in your paper, Mr. Gokhale, is the forests?—Yes. The expenditure under this head was Rs. 964,000 in 1891-2. In 1894-5 it was Rs. 1,034,000, an increase of Rs. 70,000 in three years. The increase was mainly due to exchange compensation allowance. The administrative charge in this department is excessive. The salaries of the conservators, deputy conservators, and assistant conservators, who, with the exception of one man, are all Europeans, amount to no less than 3½ lakhs of rupees, or one-third of the whole expenditure. The Department, moreover, is working in a most unsatisfactory manner, causing immense discontent and irritation among the rural classes—a discontent gradually culminating in some parts in outbreaks of lawlessness. It also comes frequently into conflict with the Revenue Department. If the work be handed over to and placed under the charge of the collector with a forest assistant, its operations will be much less vexatious to the people, the conflict between it and the Revenue Department would be avoided, and the arrangement would result in a saving to the State. The Forest Department is at present controlled by three conservators, 19 deputy conservators, and nine assistant conservators. There are, besides, about 20 extra assistant conservators. This excessively costly staff could now be reduced and replaced by much cheaper agency, if the suggestion made above were carried out. Moreover, the work done by the lower-paid establishment should be, as far as possible, handed over to the village officers, who would do it much more efficiently and cheaply, as a small increase in their existing remuneration would be deemed by them as adequate payment for the extra work. Forest, irrigation, and agriculture are all at present separate departments, each working in its own orbit, though they all are supposed to discharge duties practically allied to each other. The promotion of the agricultural industry of the country is the common object of all, but, the departments being separate, work on their own lines—not always convergent to the main end. And there is necessarily a considerable waste of funds and effort. Even under the existing system, if these departments were amalgamated, one supervising establishment would do where we now have three. The change will be attended with advantage to the agriculturists and relief to the finances of the country.

18,467. Do forests cover a large space in Bombay—I understand that it is to Bombay that you are addressing your remarks?—Well, they cover a fair proportion, I believe; I do not think that the forests are themselves excessive. I am in favour of having large forests; but the manner in which the forests are worked is what I find fault with.

18,468. You are not opposed to the protection of forests?—No, I am not.

18,469. The great forest district is Madras, is it not? I am not quite sure about that.

18,470. When you say that the manner in which the Forest Code is applied, causes great discontent and irritation among the rural classes, gradually culminating in some parts in outbreaks of lawlessness, does that arise from the fact that, until the Forest Department was constituted on its present footing, great waste of forests was taking place, and that the local inhabitants resent any interference with their power of waste? Or do you think that it is possible to preserve the forests completely in the interests of India without arousing such a feeling?—This used to be the ground of complaint at one time, when the Forest Department was first formed; now the people have got used to that. But the principal complaint now is that the department tries to work itself as a department of revenue; and, therefore, the poorest classes, the lowest tribes, who live a nomadic kind of life in the forests, who gather fruit and small branches of trees that fall down and so on, and sell loads of small wood in bazaars, are being restrained from doing these things. Their ordinary

source of livelihood is thus being stopped to them, and they are now taking to assaulting Government officers, which is a very serious thing. Only a few months back there was an outbreak in the Kolaba district, and there was another outbreak after that. The Deputy Collector was assaulted and the poor, ignorant people exacted from him a bond in writing that they would get cheaper food grains and salt, and that they would be allowed to take wood and all that sort of thing. The manner in which the Forest Department is worked is so entirely unsympathetic that the people are feeling greatly irritated.

18,471. When you speak of the Forest, Irrigation and Agriculture being all at present separate departments, each working in its own orbit, though they are all supposed to discharge duties practically allied to each other, may it not fairly be said that forestry is a special science?—Yes, that is so, but forests are for the benefit of agriculture; that is the principal object of forests, and under my scheme, if the Collector was made the supreme authority in the district, he might have a forest assistant and an irrigation assistant and an agricultural assistant.

18,472. You do not propose to send the agricultural assistant, who knows nothing about forestry, to take care of forests?—Oh, no, not at all; I only want the forest assistants' conflict with the other departments to cease, which would be secured if they were all subject to one man, subordinate to him.

18,473. Now what would you wish to tell us upon the subject of the police?—The charge under this head in 1894-95 was over 56 lakhs of rupees. In 1892-93 it was less than 51½ lakhs. The increase is chiefly due to the reorganization scheme carried out in 1894 at an annual cost of over 4 lakhs for the Mofussil police, and about 1 lakh for the police of the Presidency town. As in the case of several other departments, this department is largely over-officered in the upper staff. In 1884, the inspector-generalship of police was created with a salary of Rs. 24,000 a year. The creation of this office was not favoured by the Government of India itself for a long time, but it yielded at last to the persistent pressure of the local Government. This needless centralisation, in addition to being expensive, has disturbed the harmony which previously prevailed in the district administration, when the district police officer was a direct subordinate of the collector of the district. The police department has no policy of its own to carry out, and it may well remain directly under the collector in each district. I may mention that men like Sir Barrow Ellis were strongly opposed to the creation of the inspector-generalship. The superior staff has been constantly on the increase. In 1879 the number of district superintendents and assistant superintendents was 22. In 1886-87 it was 30. It now stands at 38, all Europeans. There are, besides, about nine probationers. The institution of the grade of police probationers has all along been regarded by the Indian public as a great scandal, and evidence was offered before the Public Service Commission that all the 13 probationers that had till then been appointed were relatives of persons occupying high posts in the administration, men who had failed in qualifying themselves for any other career.

18,474. (Sir James Peile.) There are no probationers now, are there?—Well, last year there were two or three appointed.

18,475. No probationers; you mean men appointed in India by the Provincial Government?—I do not know by whom appointed, but the civil list of January gives three appointed last year.

18,476. From England, I think?—I know that the condemnation of the appointments by the Provincial Government has led to a change; but how far the change has gone, I am not in a position to say.

18,477. (Chairman.) The probationers are Europeans?—Oh, Europeans, of course. But while the superior staff is excessive and too costly, the lowest grades in the department, the class of constables, requires large improvement. A much better type of men must be attracted to the ranks by offering adequate inducement. It is no exaggeration to say that the Indian police of the present day, outside the Presidency towns, are a thoroughly incompetent, unscrupulous, corrupt body, causing vast misery to the bulk of the

people. They are often found to be themselves actively aiding and abetting crimes, especially crimes connected with property. Outside the Presidency towns there is no detective service worth mentioning. A large increase of expenditure is necessary, if the department is to be effective for protecting, and not harrassing, the general population.

18,478. (*Sir William Wedderburn*) The quality of the rank and file would be very much improved if there were a reasonable prospect of good promotion?—I should think so.

18,479. A better class of men would come into the service?—Yes

18,480. And if the positions that have been given to police probationers were given to experienced men who had worked their way up, they would do a good deal to improve the style of men in the police?—Certainly.

18,481. (*Chairman*) Roughly speaking, what sort of number is the police force in the Bombay Presidency?—I should like to refer to the latest Administration Report before answering that question.

18,482. Could you not give us any idea; is it 10,000, 15,000, 20,000?—I must consult the Report; I have got one here, but I believe last year, when the new reorganization scheme came on, they made additions also to the lower ranks.

18,483. (*Sir James Peile*) The reorganization was made lately?—Last year; they offered a little better pay also.

18,484. And in other provinces also the police has been reorganized lately?—I have read so in some newspapers, but I do not know anything definitely.

18,485. There is a movement generally towards reorganization; improving the pay, or both the promotion and the pay?—And so far that is good.

18,486. (*Sir William Wedderburn*.) The Provincial Governments would be glad enough to do it, if they had the money, I suppose?—Certainly, and therefore we are fighting for more money being given to the Provincial Governments.

18,487. (*Sir James Peile*.) The proposals to reorganize the police of a province come up to the Government of India and are approved by them, and come to the Secretary of State to be sanctioned. If he sanctions them, an arrangement is made about the money; the money is made available by the Government of India for the use of the province?—I do not think so; the police department under the decentralization scheme is entirely a provincial department.

18,488. Certainly; but, if new expenditure is countenanced by the Government of India, they make an arrangement for supplying the money?—They have not done it in the case of these five lakhs. Not only that, but the exchange compensation threw a large portion on the Bombay Presidency not contemplated at the time of the contract.

18,489. Is it five lakhs in Bombay?—Five lakhs in Bombay; I think they thought it too small to need special assistance.

18,490. (*Sir William Wedderburn*.) You mention that, as a body, the district police are an unscrupulous and corrupt body. Is not it a very great argument for the extension of local self-government, that it gives the power in the villages to the respectable villagers, instead of to these men who are picked up in the bazaars, and whose object is to get more power rather than to do any good work?—Yes, that is so.

18,491. (*Chairman*.) The police force in Bombay appears to be very nearly 19,000; of that, may I take it that 38 are Europeans?—No; 38 is the number of the Superintendents and Assistant Superintendents.

18,492. Yes, then we come to the inspectors; are the inspectors European?—Some of them are Europeans and some are natives. Their salary stops at 250 rupees a month.

18,493. I suppose not many inspectors are Europeans?—There are some inspectors who are Europeans. I know of some. I believe it is about half and half. I am not quite sure, but it would be like that.

18,494. There are 277 deputy inspectors; are they natives or Europeans?—The deputy inspectors, I believe, must be natives for the most part.

18,495. And the sergeants or head constables?—They must be all natives, except a very few in the Presidency town.

18,496. When you say of the police that they are a thoroughly incompetent, unscrupulous, corrupt body, causing vast misery, I find that this large force of men is chiefly officered, except quite at the very top, by native officers. Does that look to you as if the native officers were very competent?—That is not my point, my Lord; my point is that the rank and file consists of such a low class of men that it is impossible to make them efficient.

18,497. But what I mean is that the actual discipline of these men lies in the hands of native officers?—The Superintendents are, in the first instance, responsible.

18,498. And I want to ask you whether you are satisfied—whether that is a good result? Because, where native officers are in charge of these men, the only thing that you can say about them is that the men for whose discipline they are responsible are a thoroughly incompetent, unscrupulous, corrupt body?—If the responsibility is to be apportioned in that way, the Superintendents and the District Superintendents will come in for their share first.

18,499. At the top?—Yes. At the top.

18,500. But the actual discipline, you must pardon me for saying, throughout the country must lie in the hands of this large force of native officers?—The better classes do not go into the force, because there are no good prospects; they must stop at a certain level. Above that all are Europeans, so they do not care to go into the service.

18,501. (*Sir William Wedderburn.*) Do you not think we could get for the police men as trustworthy and men as well educated for the higher grades as we have for the subordinate judicial service—that same class of men?—Yes, there is no reason why we should not have them if equally good pay were offered.

18,502. And that class of subordinate judges in India are universally respected and trusted by the people?—Oh, yes, and by Government too, they have always been saying that they are a very efficient body.

18,503. (*Chairman.*) You advocate the necessity of a large increase in the expenditure on education, I think?—Here, too, a large increase of expenditure is necessary, if Government desires to discharge its duty adequately by the people. The charge under the head of education at present is about 20 lakhs, of which 3 lakhs are consumed by direction and inspection. Our percentages are no doubt slightly better than those for the whole of India, but that is hardly a matter for congratulation, seeing that what is being done is almost as nothing compared with what ought to be done. So long as we have only 9,000 public primary schools for over 25,000 towns and villages, and about 80 children out of every 100 of school-going age are growing up in utter darkness, so long the educational policy of the Government will always be a reproach to it. In this connexion there is one point to which I am anxious to draw the particular attention of the Commission. That point is the absolutely inelastic character of the financial provision which is made for primary education in rural areas. In these areas, primary education is now entrusted to local boards, Government contenting itself with a grant-in-aid to these boards of one-third the total expenditure. Now, the only revenue that these boards have at their disposal is the proceeds of the one anna cess, and these proceeds are devoted, in certain fixed proportions, to primary education, sanitation, and roads. As our revenue settlements are for periods of 30 years, it follows that during these periods the proceeds of the one anna cess must be more or less stationary, which means that the amount that local boards can devote to primary education, being a fixed proportion of those proceeds, must also remain more or less stationary during the currency of each period of settlement; and as Government will, as a rule, contribute only one-third of the whole expenditure, *i.e.*, one-half the amount spent by the boards, it is clear that the resources that are available for the spread of primary education are entirely inelastic for long periods. I believe Sir James Peile proposed, when he was Director of Public Instruction in Bombay, that local bodies should be empowered to levy special educational cesses if they pleased. In the absence of Government finding more money for the education of the masses—a duty definitely accepted as a sacred trust—this seems to be the only possible solution of the difficulty.

I now come to *Law and Justice*.—The charge under this head in 1894-5, excluding the cost of jails, was

46 lakhs of rupees. Of this sum the expenditure on the High Court came to about 6½ lakhs. It has long been a matter of complaint that our High Court is managed on a more extravagant scale than that of Madras, the expenses of the latter in 1894-5 being less than 5½ lakhs. The great item of difference is the expenditure of the original side, which in Bombay is about 2½ lakhs, and in Madras not even one lakh. The appellate side of the Bombay High Court, which does the appellate work for the whole Presidency, is maintained at a cost of about one lakh of rupees only. The expensiveness of the High Court is, however, not due so much to the cost of the machinery employed as to the monopoly enjoyed by solicitors and barristers, whose fees represent a charge on litigation which is almost prohibitive. It is, indeed, high time that the system of the civil and criminal administration of justice in Bombay was improved so as to render it less costly.

18,504. (*Sir William Wedderburn*) You mean in the city of Bombay?—In the city of Bombay, I mean. The Finance Committee of 1836 made certain proposals about reducing the cost of the Bombay High Court, some of which have not yet been carried out. The Clerk of the Insolvency Court still continues to receive fees, amounting to nearly the salary of a puisne judge, for only nominal work. The Judicial Department is specially a department for high posts in which the qualifications of natives have been repeatedly recognised. The Public Service Commission recommended that one-third of the district and sessions judgeships should be set apart for natives. No effect, however, has yet been given in practice to that recommendation. The question of the separation of judicial and executive functions comes under Law and Justice. It is contended on behalf of Government that such separation would entail extra expenditure of something like half a crore of rupees for the whole of India. Now, in the first place, this appears to be simply an over-estimate. Assuming, however, that the additional cost would be as high as that, it is much less than what was given to the European services by one stroke of the pen in 1893—I mean the exchange compensation allowance. This year, in certain famine areas, sub-judges are entrusted with criminal work also, to the relief of revenue officers, and the experiment, so far, has succeeded very well. A similar experiment was tried during the famine of 1877 with equally satisfactory results. The stipendary sub-judges and sub-magistrates may with advantage be relieved of a portion of their lighter work by the appointment of honorary magistrates and arbitration courts. Honorary magistrates have already been appointed in the larger towns, but benches of such magistrates may be constituted in Taluka towns with great advantage to the Government and the people. Further, the caste and trade Panchayats may be utilised for the purposes of settling civil disputes. There has already been a reform in the manner of disposing of petty cases, and arbitration courts have been recognised as cheap and efficient institutions for the administration of justice in small cases. If the same principle be extended to the courts of subordinate judges, and if civil juries are associated with the sub-judges in the disposal of suits involving larger amounts of money, as also in deciding questions regarding rights and customs, ample relief will be afforded to the superior courts, which may ultimately enable considerable economies to be effected.

Then I come to the *Public Works Department*. The expenditure under this head, including provincialised railways and irrigation and civil works, was about 35 lakhs of rupees in 1894-95, out of which about one-third was for establishment. The first two items came to a little over 1 lakh, and the rest was for civil works. Except in Sind, we have no irrigation worth speaking of, and I think it would be a great advantage if the construction of storage tanks and wells in areas where the rainfall is uncertain were undertaken by the Government on a large scale and in a systematic manner. This was recommended by the Famine Commission; nothing has been done, however. As regards the civil works outlay, it is noticeable that the highly paid machinery of executive engineers, &c is still kept up in all the districts, though in several of them the expenditure on civil works from the provincial revenues does not exceed a mere trifle, and the works required by the local funds are of a sort that far lower establishments can safely undertake. The reduction in the executive engineer's charges appears to be urgently called for.

18,505. (*Chairman.*) Next you wish to call attention to the question of the monopoly of the higher offices by Europeans?—Yes. Similar criticism might be offered about the remaining departments, but I have no wish to weary the Commission with further observations of the kind. But there is one great evil common to all the departments, and a few words on that may be allowed. This evil is the practical monopoly of all the higher posts by Europeans. The following analysis of the Civil List for the Bombay Presidency for January 1897 will make my meaning clear. *Covenanted Civil Servants*, or, as they are now called, Civil Servants of India. The total number of these civil servants attached to Bombay at present is 156, out of whom only 5 are Indians, these 5 having entered by the competitive door in England. There are besides 8 statutory Indian civilians. The Members of Council, the High Court Civilian Judges, the Commissioners of Divisions, the Secretaries to Government, the Senior Collectors, are all Europeans. *City Magistrates*.—There are four city magistrates, two on Rs. 800 a month, and two on Rs. 500 a month. The two former are held by Europeans (not covenanted), the two latter by natives. *Land Records and Agriculture*.—There are six posts in this department with a salary of over Rs. 400 a month. They are all held by Europeans. *Forest Department*.—There are 29 posts in this department, with salaries ranging between Rs. 400 a month to Rs. 1,600 a month. They are all held by Europeans. There are nine Europeans even below Rs. 400 a month. *Salt*.—There are 12 posts with salaries ranging between Rs. 400 to Rs. 1,130 a month. Only one of these is held by an Indian. *Post*.—The Postmaster-General is a civilian. There are 11 posts under him with salaries above Rs. 400, out of which seven are held by Europeans. *Telegraph*.—There are 12 posts in this department with salaries ranging between Rs. 400 and Rs. 1,000, and they are all held by Europeans. There are, moreover, 40 posts between Rs. 100 and Rs. 400 a month. Of these, also, 36 are held by Europeans. *Revenue Survey*.—There are 10 posts in this Department with salaries above Rs. 400. They are all held by Europeans. — *Accountant-General's Department*. — The Accountant-General and Deputy Accountant-General are civilians. There are five posts under them with salaries ranging between 400 and 1,000 rupees, four of which are held by Europeans.—*High Court Judges*.—Out of seven judges, two are natives.—*Government Law Officers*.—There are seven Government Law Officers of whom six are Europeans. Four of these get Rs. 2,000 a month and above, one gets Rs. 1,000, and the sixth man gets Rs. 250. There is only one native among these who is paid Rs. 300 a month.—*Officers of the High Court*.—There are 14 officers with salaries ranging between 400 and 2,500 rupees a month. Of these, six are Natives.—*Prison Department*. — The Inspector-General draws Rs. 2,000 a month, and there are under him 11 officers receiving Rs. 350 to Rs. 1,200 a month. They are all Europeans.—*Cantonment Magistrates*.—There are 11 such magistrates with salaries ranging from Rs. 100 to Rs. 1,250 a month. They are all Europeans.—*Police*. — There are 54 officers in this Department with salaries ranging between Rs. 250 and Rs. 1,800 a month. Of these only three are natives, and they are all drawing Rs. 250 a month. There are moreover, five officers in charge of railway police. They are all Europeans and draw salaries ranging between Rs. 350 and Rs. 1,000 a month.—*Education*.—The director is paid Rs. 2,500 a month, and under him there are 45 officers receiving between Rs. 400 and Rs. 1,500 a month. Of these only 10 are natives, and, with one exception, they get either Rs. 400 or Rs. 500 a month; the one gentleman mentioned as an exception is a native Christian and draws Rs. 633 a month.—*Ecclesiastical*. — There are 31 paid officers in this Department. They draw between Rs. 400 and Rs. 800 a month, and are, of course, all Europeans.—*Medical*.—The Surgeon-General draws Rs. 2,500 a month, and there are under him 59 officers drawing salaries between 400 and 1,600 rupees a month. Out of these only four are natives.—*Sanitary*.—There are seven posts in this Department with salaries between Rs. 400 and Rs. 1,200 a month. They are all held by Europeans.—*Political*.—There are 66 officers in this Department, drawing salaries ranging between Rs. 400 and Rs. 3,500 a month. This gentleman drawing Rs. 3,500 a month is at Aden. Only two of these are natives, one of them drawing Rs. 400 and the other Rs. 450 only.—*Public Works*.—There are 83 officers in this Department, drawing salaries between Rs. 250 and Rs. 2,500 a month. Of these 23 are natives. The subordinate judgeships and

deputy collectorships are the only branches of the public service which are free from this practical monopoly by European officers. It may be mentioned that the posts in the special departments mentioned above are not reserved for a particular class of men by statute, and subject only to departmental rules, their bestowal is entirely in the discretion of the Executive Government. It cannot also be urged, in the case of most of these departments, that the appointment of natives to the higher posts in them is ever likely to have an element of political danger in it. In the case of collectorships they may say the Collector is the head of a district, and the Government would not care to entrust everything to a native, but in the Forest and Accounts Departments what is there of danger?

18,506. Is there no possible danger in the case of the Police?—I have said most of the departments. I anticipated such a question, and therefore said "most of the departments." The question is essentially one of patronage. The word "patronage" I have taken from one of Mr. Lee Warner's minutes; and our complaint is that the best part of that patronage goes to persons who are not children of the soil.

18,507. That completes the remarks which you would wish to offer upon administration?—Yes.

18,508. We have yet another branch of our inquiry which you have not as yet touched, namely, the Apportionment of Charges between England and India?—Yes; I have not much to say upon this. On the narrower ground which the Government of India have chosen to occupy in this matter, they have, I think, stated the case for India very effectively. I agree, however, with Mr. Dadabhai Naoroji and Mr. Wacha in thinking that the field, in respect of which equitable apportionment is necessary, is much wider than that. I will add a few observations to explain my meaning:—*The India Office Charges.*—These, which stand at about 273,000*l.*, ought to be borne by England, or, at least, divided half and half between England and India. The Secretary of State for India, as a member of the Imperial Cabinet, represents the Imperial Executive and discharges the Imperial function of general controlling supervision in respect of Indian administration just as the Secretary of State for the Colonies does for the Colonial Governments. The salary of the Colonial Secretary together with his office charges is borne on the Imperial Estimates. In strict justice, therefore, the India Office ought to form part of the Imperial Establishments and paid out of the Imperial Exchequer. I am, however, aware that it is urged on the other side that, under present arrangements, the India Office has to do much directive and executive work in regard to Indian administration which the Colonial Office is not called upon to do, and I should therefore be satisfied if the charges were divided half and half between India and England. (2) *Army charges due to recent additions.*—These increases were due to the panic caused by the Penjdeh incident, and were alleged to be necessary for the better protection of the north-west frontier. Upper Burmah was, however, subsequently annexed, British Beluchistan was organised, various frontier enterprises carried out, and almost the entire increased strength has been thus absorbed in these newly conquered territories, a fact which shows that they were not really required for purposes of the defence of the north-west frontier. Similar temporary additions were made at the same time to the Imperial garrisons in other parts of the Empire in view of an imminent conflict with Russia, Mr. Gladstone obtaining a large vote of credit for this purpose; but, as soon as the emergency passed away, the garrisons were reduced everywhere else. Only in India was the increased strength maintained. These additions were in excess of the maximum defence requirements of the country as defined by the Army Commission of 1879 in view of frontier and other contingencies, even Russia and Afghanistan making common cause. The additions were protested against when made by two members of the Viceregal Council, including the Financial Minister, who urged that in the first place they were not necessary, but that, secondly, if they were wanted, that was for purposes of the Imperial policy, and the Imperial treasury should pay for them. This increased force, therefore, of 30,000 troops forms no part of our Indian Army proper, but is an Imperial garrison, and serves as an Imperial reserve, and the cost of it ought to be an Imperial charge.

18,509. In mentioning that two members of the Council protested, we must bear in mind that they were the Finance Member, and the Legal Member?—Yes.

18,510. As against that, one must bear in mind that the expert members of the Council thought differently and considered that this force was necessary for the defence of India?—Yes, I am quite aware of that, but then my argument is this; if the force that was then added was necessary for the purposes of strengthening the north-west frontier, why have they not increased the army on account of Burma? They have now more territory thrown on their hands on account of Burma, British Beluchistan, Gilgit, and Chitral; and yet the same army suffices, which means that at one time so much was not wanted. That is the only inference that I can draw as a non-official critic.

18,511. (*Sir Donald Stewart.*) But supposing Burma had not been annexed, is it not possible that that force might have been reduced?—I should have thought so.

18,512. Very good then; but the annexation of Burma absorbed the whole of that additional force?—A very large portion of it, yes.

18,513. (*Mr. Naoroji.*) But then it was not necessary that Burma should have been annexed to India; it might have been treated as a separate territory?—Yes.

18,514. And the Indians, the National Congress, declared so?—Yes, but my point is this; in the correspondence that took place between the Secretary of State and the Government of India the increases are spoken of as permanently wanted; in fact there was a telegram from the Secretary of State inquiring whether the increases were meant to be permanent, and the Government of India telegraphed back, "yes." If they were permanently wanted for the north-west frontier before Burma was annexed, how could they withdraw a portion and spare it for Burma, when Burma was annexed? That is the only inference that I draw.

To resume—(3) *Our ordinary debt.*—Our ordinary debt as distinguished from our Public Works debt stands at present at 68 crores. This portion of our debt would not have until now remained undischarged, but for charges unjustly imposed upon us in the past in respect of various wars and expeditions in promotion of Imperial schemes or territorial expansion:—

	Cost in crores.
First Burmese War (1823)	13
First Afghan War (1838-42)	15
Abyssinian War	6
Second Afghan War	
(Total cost = 22 crores minus Imperial contribution - 5 crores)	17
Egyptian War	1·2
	<u>46·8</u>

Add to this 67·8 crores thrown upon India since 1885 in pursuance of an Imperial policy as shown in the following Table:—

Frontier Expenditure since 1885.	Aggregate Charge during the Period in Crores or millions Rx.	Permanent Annual Charge in Crores or millions Rx.
Military roads	1·250	—
*Strategic railways	14·000	·600
Special defence works	4·630	—
Army increases (including Beluchistan garrison).	22·000	3·900
Frontier extensions:—		
(1) Upper Burmah	14·920	·925
(2) British Beluchistan	—	0·086
(3) The Gilgit Agency and Protectorate (including Chitral).	—	·220
(4) Somali Coast	—	·012
(5) The Afghan Protectorate	—	·180
Cost of expeditions, &c. (exclusive of Burma).	8·240	—
Political expenditure	2·838	·457
Total in crores	67·878	6·038

* The charge is met from capital and not from current revenue.

18,515. (*Chairman*.) I do not quite understand the separation between these charges; is the 6·038 crores *Rs.* in respect of loans which have been raised for the purpose?—More than three millions is for the army increase; it is 3·90 for army increase—30,000 troops.

18,516. How do you arrive at the annual charge of army increases?—From the Army Budget, 22 crores is the total charge—I mean the total charge we have had to bear during all these 10 years for this increase in the army.

18,517. Cumulative evidently?—Cumulative; and this 2·8 millions is the annual charge which we are to bear every year; but for this increase we should not have had to bear this charge.

18,518. It is an easy way of raising a heavy charge, is it not, first of all to say that this charge is unjust, and then to add up the sums so expended over many years. If it goes on for many years, it is rather an easy way of making out a large bill. I am not sure that we could not all make a heavy bill against somebody in that way?—It is the natural way of looking at the thing for those who think a charge is unjust.

18,519. What a charge we might make in India now! It is easy for me to say that 200 years ago William III. acted quite rightly in going to war with France, and, therefore, to carry forward all expenditure that happened in consequence during that 200 years—we ought to add on interest. That is an easy way of raising a formidable charge, I think?—I think that is putting it in too extreme a manner; this is only a matter of 10 years; and this increase was carried out in spite of the protest of the people, and in spite of the protest of some of the advisers of Government.

18,520. But this charge will go on, and will increase every year. I am criticising only your cumulative bill. I am not criticising the position that you have a right to say that you think such-and-such charges are heavy?—I mention it, because we make a claim for restitution of so much money on behalf of India; just as in the case of the Irish Commission, they have mentioned a certain sum in regard to which Ireland claims restitution. We get thus a total of 111 crores of rupees, unjustly imposed by the Imperial Government on us in furtherance of its own policy. If even half the sum were refunded to us, our ordinary debt will practically disappear.

18,521. I observe that that statement rests entirely upon the assumption, which is by no means proved, that the charge was unjustly imposed?—But take the first Burmese War. The Court of Directors protested against that, but the Imperial Government insisted upon its being undertaken. The first Afghan War—the Board of Control ordered it, and it was prosecuted under orders sent directly, and against the wishes of the Indian Government. The second Afghan War was also ordered direct from England by Lord Beaconsfield. In the case of the Egyptian War the Indian Government protested.

18,522. But in many of those cases the Government undertook the war believing that it was necessary in the interests of India, did it not?—The Government here ordered the war, the Government there protested against it.

18,523. (*Sir Donald Stewart*) Who initiated it?—The Government here—the British Government.

18,524. Have you any authority for that?—I believe from all that I have read—this seems to be almost accepted by everyone—that the first Afghan War was ordered by the Chairman of the Board of Control directly.

18,525. Go to the last Afghan War?—Yes, even in regard to that I think the same. Lord Northbrook resigned rather than carry out certain instructions which he received from his Government here; then Lord Lytton was sent out to succeed him, with special instructions, I think, to carry out a certain policy, and that brought on the complication.

18,526. I doubt if there is any real authority for that statement?—I think Mr. Naoroji went carefully into this question. Declarations of Mr. Gladstone, Lord

Salisbury, and Mr. Fawcett were quoted to show that that was essentially an Imperial war.

(*Mr. Naoroji*) Lord Lytton has said, on the authority of Lord Salisbury, that he was instructed to regard it as an indivisible part of a great Imperial question.

18,527. (*Chairman.*) Perhaps the method you adopt may be put in this way, that, whenever native opinion says that it does not altogether approve a charge, that charge is to be put into an account, and England is to be called upon to make restitution; that is the argument, is it not?—Not quite that. When the Government of India also is on the same side, I think it alters the position very much.

18,528. Will you go on?—I would mention, in this connection that we have paid every shilling of the cost of British conquest, including even the cost of the suppression of the Mutiny (which was close on 50 crores), England contributing absolutely nothing in aid of all this expenditure. England has paid such charges for Imperial conquest or settlement in respect of her colonies. She has even paid the cost of the suppression of the insurrection in Canada (1838-43), out of Imperial revenues. Nor has she ever called upon her colonies—not even the Cape—to undertake Imperial wars or to contribute towards their charge. *Upper Burma* lies beyond the Indian frontier, and we have had no interest in its conquest and annexation except as a province to be held and administered as an Imperial trust. The conquest was effected in furtherance of Imperial policy and the commercial interests of the Empire, and no special Indian interest was ever here at stake. *British Beluchistan* and the *Gilgit Protectorate* are beyond the line of our impregnable defences, and India has no concern with them except as Imperial charges. These are new conquests, and, as years pass by, will require large expenditure for purposes of administrative improvement and material development. And it is suggested that they be taken off our hands, as *Ceylon*, *St. Helena*, and the *Straits Settlements* were in a former day—and be directly administered as appanages of the crown. I would only add one thing; *Ceylon* was conquered, at the expense of India, and has been raised to the position of a Crown Colony; but the expenses India incurred in connection with *Ceylon* were not refunded. Certain pensions which were granted to officers India continued to pay up to a very recent time, *Bechuanaland* (South Africa), is administered as a Crown Colony, and is not thrust on the hands of the *Cape*. *Political Expenditure beyond the Frontier.*—This is properly Foreign Office expenditure as connected with the general foreign relations of the empire. Foreign policy and control of foreign relations are Imperial functions, and charges in connection therewith, in whatever part of the empire, ought to be borne on the Imperial estimates. India has no interest whatever beyond her territorial borders, and has only to maintain peace and order on her own side of the frontier. The *Indus*, the *desert*, and the *Himalayan wall* are impregnable lines of defence on the north-west, behind which she can remain in perfect security. All such expenditure, therefore, as is represented by the subsidies to the *Amir* and other tribal chiefs, and other like charges, is strictly Imperial in furtherance of Imperial interests in mid-Asia. Then I come to *The irreducible minimum of Europeans.*—Lastly, if England thinks that a certain number of European officers and a certain strength of the European Army must always be maintained in India, she must be prepared to pay a fair share of the cost thrown on India for the purpose, the maintenance of British supremacy in India being a matter affecting the most vital interests of England.

18,529. And also the most vital interests of India?—Therefore, I say, the charges should be divided between the two.

18,530. (*Sir James Peile.*) You have quoted this resolution of 1888, of the Government of Lord Dufferin, I think?—Yes.

18,531. What you refer to is this 17th paragraph, I think (*showing book to witness*)?—Yes, and the 18th.

18,532. And the 18th. What the Government of India says is this: You consider that it said that the educational expenditure should be stopped?—I did not say "stopped"; I said they should be "a constantly diminishing quantity." You will see they have put it more clearly in the next paragraph at the bottom.

18,533. The point is to see under what circumstances and under what conditions the Government of India proposed that it should be reduced?—Yes.

18,534. Would you read it?—Yes. “Passing from the statistics of attendance at the various classes of Indian schools and colleges to the expenditure on education, we find that in 1881–82 the total expenditure on public instruction in India was, in round numbers, 186 lakhs of rupees. Four years later (in 1885–86), the total had risen to 240 lakhs; and last year it stood at a little over 252 lakhs. At the beginning of the five years the government bore 73 lakhs of this expenditure, while local and municipal funds contributed 32 lakhs; the balance of 81 lakhs, consisting of fees, subscriptions, endowments, &c., falling on the public. In the year 1885–86 the share of the Government is shown at 80 lakhs; that of local and municipal bodies at 48; and that of the public at 112 lakhs. The share assigned to local bodies, however, is not entirely the proceeds of local taxation, but includes an item of 4½ lakhs contributed by government, so that in effect the share of Government at this period stood at about 84½ lakhs. Next year the shares are shown at 85½ lakhs for Government, 49 lakhs for local and municipal boards, and 117½ lakhs for the public. But of the 49 lakhs expended by local bodies, 6½ were contributed by Government, so that there has been a progressive increase in the Government expenditure. The Governor-General in Council considers that the growth of the share borne by local bodies should, for the future, exhibit a more marked increase than it has done since 1885, and that there should be a tendency to decrease rather than to increase in the share which now is defrayed from the public treasury.” Then comes, further, this:—“The Government of India recognises its responsibility to provide, so far as its finances permit, facilities for the education of the people. But in educational, as in all other matters, it is the policy of the Government of India to avoid entering into competition with private enterprise; it pioneers the way; but, having shown the way, it recognises no responsibility to do for the people what the people can and ought to do for themselves. When, therefore, local effort or private enterprise shows itself able and willing to supply the educational wants of the people in any locality, it is the policy of Government to retire from the field of direct instruction and to help by reasonable subventions of money the operations of independent institutions. Under this policy it is the aim of the Government also, wherever there is vitality of private effort, to restrict official action to the maintenance of a few schools, in which the system of instruction and discipline shall afford a standard for the emulation of private or aided institutions in the neighbourhood. In pursuance of this policy, the expenditure from provincial revenues on Government educational institutions should not ordinarily increase in proportion to the total expenditure, but should, rather, be a constantly diminishing quantity, provided that there is the assurance that the ground abandoned by the Government shall be occupied by local effort.”

18,535. You see the last words “provided——”?—These inconvenient provisions are likely to be forgotten, and only the idea carried out in practice.

18,536. I think the proviso at the end is an essential part of the document, is it not. The Government will not diminish its contribution, unless it is assured that the place of that contribution will be taken by private funds. The whole paragraph is entirely in favour of local self-government, is it not?—Well, so far as this sort of expenditure is concerned, of course Government would throw the responsibilities on the Provincial Governments. I would mention one point. During the four or five years previous to the issue of this Resolution, in consequence of the orders issued by Lord Ripon in 1884, the educational expenditure had been increasing in a fairly satisfactory manner, but from 1890 it has been at a standstill. For the last five years there has been only an increase of Rs. 30,000, when in England you have gone from 5,000,000L. to 9,000,000L.

18,537. That is an increase in the Government expenditure?—Of Government expenditure.

18,538. But has the expenditure from local funds and other sources increased or not?—Oh yes, it has increased.

18,539. Then the purpose of the Government in that paragraph has been fulfilled?—That is not my point. Language such as is used in this Resolution would not have been held in the House of Commons by any responsible minister, during the recent debates on the Education Bill, that Government were to recognise no responsibility to do for the people that which the people can and ought to do for themselves.

18,540. (*Chairman*). Yesterday you were reducing the Army to the unit of the European soldier, and in support of your view, you were quoting an officer of repute, namely, the late Sir George Kellner; and I think he estimated according to your quotation from him, that seven native soldiers were financially the equivalent of three Europeans, did he not?—Yes.

18,541. I was questioning the value of that reduction to one unit, because various people will vary in the way they look at it, and in support of that my attention has been called to Sir George Kellner himself. In 1873, he said, "the soldier is the true unit of military expenditure," I am quoting his evidence taken before the Select Committee on East India Finance, "in order to get that unit, I propose to take four native soldiers. " as equivalent to one European soldier, financially, for "the purpose of comparison." That rather shakes the authority, does it not?—One European soldier equal to—?

18,542. "I propose to take four native soldiers as equivalent to one European soldier."?—Financially?

18,543. For financial purposes?—Is that so?

18,544. I am bringing this divergence before you in support of my remonstrance against these somewhat arbitrary reductions of different classes to one denomination?—I was not aware of this expression of opinion on the part of Sir George Kellner, who was Accountant-General in the Military Department for a long time.

18,545-6. I quite admit your justification in taking him; I only wanted to point out to you that, in quoting high officers, sometimes they take such various views of the same circumstances that it does not suffice to build important financial conclusions on their statements?—Yes, but we are not military experts. We can take our stand only upon what these experts say. I was not aware of this other expression of opinion on his part, else I should not have quoted him.

18,547. (*Sir William Wedderburn*.) There is a point on which it was suggested that you might be able to inform the Commission; it is with regard to the action of Lord Elgin in regard to a petition which was presented to him at Poona. It is stated that that petition was returned to the persons who presented it, for some purpose. Do you know for what purpose; can you tell us the circumstances of that petition?—Yes. I was one of the secretaries of the Poona Sarvajani Sabha at the time when we proposed to present an address to his Lordship. It was an address of welcome, and in that we had, as was the usual practice, stated our grievances, as we had done in similar addresses to previous Viceroys, Lord Ripon and Lord Dufferin, when they were in Poona, and we had also drafted our address in the same manner. There were, I believe, four or five paragraphs in that draft which referred to Imperial grievances, Imperial expenditure, and railway policy, and things of that kind, and there were four or five paragraphs which were about local matters. In India, we generally send these drafts in advance to the persons to whom the addresses are to be presented, to enable these high persons to prepare their replies, and so we sent this in accordance with that practice to his Lordship about 10 or 12 days before the time. We, however, received the draft back with an intimation that his Lordship declined to hear anything about Imperial matters, that he was in Bombay, and he only wanted to hear about Bombay matters, and he wanted us, therefore, to take out the four or five paragraphs that referred to Imperial questions, otherwise he would not accept the address. Now, our point, with regard to Bombay grievances was this, that we had the Governor there; we could go to him when we wanted. There were questions not in the discretion of the Governor, in regard to which we had to go to the Government of India. The Viceroy comes once in a way to Poona, and a political body, like the Sabha, would naturally take advantage of his presence to press upon him their grievances in regard to the whole country, in which all were equally interested. We had done that before in the case of Lord Dufferin, and in the case of Lord Ripon; but, in this case, Lord Elgin told us that, if

the paragraphs were not omitted, he would not receive the address: and, on the principle of half a loaf being better than no bread, we omitted the paragraphs.

18,548. Can you state definitely what the last four or five paragraphs related to?—It is rather difficult to recall at this moment. There was, I believe, a paragraph about military expenditure, a paragraph about railway policy, a paragraph about the Jury Bill, which was at the time agitating the people. I cannot give all the points just now; but, if I had only a little time to consult newspapers, I could do so.

18,549. There was no objection raised to the form of the petition, on the score of the language not being respectful?—Absolutely none.

18,550. It was the substance of it that was objected to?—Yes.

18,551. You will, perhaps, not have so much personal knowledge of it—but are you aware that the same objection was raised in Madras by Lord Elgin?—I have read of it in the papers.

18,552. What was the result?—The Madras Mahajan Sabha took a firmer stand than we did, and they declined to present the address.

18,553. And the address was not presented?—The address was not presented. May I here volunteer information on a point connected with that? When Lord Dufferin came to Poona, there was also a little thing, but not exactly of this kind. The Public Service Commissioners had just been appointed by his Lordship, but the people in India were not satisfied with the constitution of the Commission. In our address we condemned the constitution of the Commission. We sent a draft of the address to his Lordship, and, although he did not raise any formal objection, an intimation was privately, and very tactfully, conveyed to us that, if our opposition was not quite so uncompromising, he would be able to make a statement on the subject which otherwise he could not make. We modified our statement a little, and that satisfied him. But this was entirely private. Lord Ripon raised no objection to the address which was presented to him.

The witness withdrew.

Adjourned.

Confidential.

INDIAN EXPENDITURE
COMMISSION.

At the India Office, S.W.

Forty-sixth Day.

Monday, 17th May, 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN), PRESIDING.

The Right Hon. LEONARD COURTNEY, M.P.

Sir WILLIAM WEDDERBURN, Bart., M.P.

Field-Marshal Sir DONALD STEWART, Bart., G.C.B.,
G.C.S.I.

Sir E. W. HAMILTON, K.C.B.

Sir RALPH KNOX, K.C.B.

Sir JAMES PRELLE, K.C.S.I.

Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.

Mr. G. L. RYDER, C.B.

Mr. T. R. BUCHANAN, M.P.

Mr. W. S. CAINE.

Mr. DADABHAI NAOROJI.

Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Mr. SURENDRANATH BANERJEA called in and examined.

19,059. (*Chairman.*) Mr Banerjea, in what capacity do you come before the Commission?—I am Honorary Secretary of the Indian Association, and have been so for the last ten years. The Indian Association is a political body which has in view the promotion of the political advancement of the people by every legitimate and constitutional means. It was founded in Calcutta in 1876, and has branch and affiliated associations in different parts of the country. I am also a member of the Bengal Legislative Council, and have been so for the last four years, having been twice elected by the Calcutta Corporation, of which I am a member. I am also Honorary Presidency Magistrate and Justice of the Peace for the town of Calcutta, and Honorary Magistrate of Barrackpur. I am Chairman of the North Barrackpur Municipality, am editor of the "Bengalee," a weekly newspaper in English published in Calcutta, and am proprietor of the Ripon College (which is an unaided independent college, teaching up to the B.A. and B.L. Standards), and its branches. I was President of the Indian National Congress in December 1895.

19,060. Do you consider the existing financial control adequate?—No, and my reasons are these. Sir Auckland Colvin observes in the course of the evidence given by him before the Royal Commission, that Government do not pay sufficient attention to what may be the financial results of the measures they adopt (Q. 2909, Vol. I., Final Report, page 119); and both Sir Auckland Colvin and Sir David Barbour are agreed that heads of departments do not take sufficient note of the financial aspects of questions. The Finance Member, who is responsible for the financial well-being of the country, often finds himself as one against all his colleagues.

19,061. May I ask you on this point, whether you think the evidence which has been given before us entirely bears out that statement? I think some of the witnesses who appeared gave us to understand that it could hardly be said that the Finance Minister was

often left alone?—The witnesses to whom your Lordship refers came before Sir Auckland Colvin and Sir David Barbour.

19,062. As a matter of fact I think some of them came after?—I thought your Lordship was referring to Lord Ripon's evidence.

19,063. No, Lord Ripon's evidence came very much after?—Having regard to the quarter from which that evidence has come, the highest finance authority in the Government of India—I am speaking as a representative of the people of India—we are bound to give the utmost possible weight and importance to that evidence.

19,064. That is to say, you take Sir Auckland Colvin's evidence, but you must remember that equally high financial authorities have not gone quite so far?—May I inquire if they were Finance Members?

19,065. Yes, I think they were; I have not the reference at the present moment, but my recollection is that some of those have been Finance Members?—I should like to know the exact details before I should make any qualification of that statement.

19,066. (*Sir Andrew Scoble.*) Might we not take it that Mr. Banerjee is merely giving the impression he has derived from the evidence of Sir Auckland Colvin and Sir David Barbour; he does not put it higher than that?—Precisely so. The situation is complicated by the fact that military expenditure is the most disturbing element in the problem, that such expenditure is too often governed by political considerations, and that his Excellency the Viceroy is personally in charge of the Political Department.

19,067. (*Chairman.*) What do you mean by political considerations; foreign relations?—Military considerations; that is to say, those considerations which guide the policy of the Government in regard to foreign matters.

19,068. That being so, is not expenditure on defence in every country governed greatly by considerations of foreign relations?—Certainly so, and in India it is so; that is what I wish to state. The Secretary of State, no doubt, may be found to be on the side of economy, though he may take a different view when the Viceroy is opposed to the Finance Member. But when the Secretary of State himself sanctions expenditure which is open to objection, whether on the ground of equity or law, there is no constituted authority to act as a check.

19,069. Has not the Indian Council a check on the Secretary of State in questions of finance?—The Secretary of State, I understand, can act independently of the Indian Council in matters of finance, can he not?

19,070. (*Sir James Peile.*) How do you make that out?—I want to ask that question.

19,071. We want to know from you?—If the Secretary of State and the Indian Council are together with reference to any matter, then there is absolutely nothing to check or control them—for instance, with reference to the Suakin expedition.

19,072. (*Sir Andrew Scoble.*) Allow me to interpose one question. Suppose the Secretary of State and the Indian Council were agreed upon a foreign policy, might they not be overruled by the Cabinet or by Parliament?—Certainly.

19,073. Then there is some control?—In theory there is, but that control in practice is not enforced; that is what we say.

19,074. Are you able to show from historical study that that has never been enforced?—No.

19,075. That is your impression again?—Yes; generally speaking, no control is enforced.

19,076. But only your impression?—That is not only my impression, but it is an impression which I should like to say is largely shared by my countrymen; I do not know that there are instances to the contrary which are inconsistent with that impression.

19,077. (*Sir James Peile.*) The Secretary of State must have a majority of the Council with him before he can spend a rupee of the revenues of India?—That is so.

19,078. (*Chairman.*) Therefore there is a check on the Secretary of State?—If the Secretary of State and the majority of the Council are one in regard to any particular matter, there is no check except the check

and control of Parliament, and the control of Parliament is a check which is not generally enforced; and very often when the Secretary of State and the Council are at one, he carries out the policy of the Government.

19,079. (*Sir Andrew Scoble*) What would you suggest in the place of that check?—I am coming to that presently; I develop that as I go on.

19,080. (*Chairman*.) When you say “when the Secretary himself sanctions expenditure which is open to objection, whether on the ground of equity or law, there is no constituted authority to act as a check”?—With the concurrence of the Council, of course; the majority of the Council.

19,081. That is a very important qualification, is it not?—What I mean to say is this: if the Secretary of State takes a decided and pronounced view with regard to any matter, the probability is that the Council would follow his lead. As a matter of fact the Council generally follows; therefore, practically, the power is vested in the Secretary of State. That is all I want to say.

19,082. Are you able to say that the Secretary of State invariably carries the majority of the Council with him?—I cannot say invariably; I do not think I should be justified in saying it, but in the large majority of cases, the voice of the Secretary of State would be the voice of the Council.

19,083. (*Sir Andrew Scoble*.) Is it not the presumption that if the Secretary of State carries the majority of the Council with him, he is taking the right view of the position of affairs; is not that a fair presumption?—I do not know that we should be justified in making that presumption, having regard to the constitution of the Council of the Secretary of State.

19,084. Do you think you would be justified in forming a presumption to the contrary?—Not at all, I would go upon the facts as they appear in each case. I would form no presumption. The 55th Section of the Government of India Act lays down that “except for preventing or repelling an actual invasion of Her Majesty’s Indian Possessions, or under other sudden or urgent necessity, the revenues of India shall not without the consent of both Houses of Parliament be applicable to defray the expenses of any military operation carried on beyond the external frontiers of such possessions by Her Majesty’s forces charged upon such revenues.” The object of this enactment, as stated by Lord Derby, who was in charge of the Bill in the House of Lords, is “to protect the Indian revenues.” There have, however, been instances in which the spirit, if not the letter, of the Government of India Act, has been departed from, and with the full “concurrence of the Secretary of State.”

19,085. (*Chairman*.) Would you name one of the instances to which you allude?—Suakim is certainly one in which the spirit of the Parliamentary enactment was departed from. In England, if any irregular expenditure is incurred, it is at once reported to the House of Commons. The prospect of Parliamentary interference, and of the criticisms of the opposition, would act as a check upon irregular expenditure. As regards Indian finance, however, no machinery is provided for independent and effective control. A private member may indeed bring up any question of Indian finance before the House; but it is one thing for a private member to act upon his own independent and personal responsibility, and quite a different thing for a duly constituted Parliamentary Committee to look regularly into the accounts of the Indian Government. The so-called Parliamentary control over Indian expenditure is regarded by Indian public opinion as being practically without any value. The Indian Budget is discussed towards the flag end of the Session before empty benches. As the late Mr. George Yule observed in his own felicitous language: “The 650 odd members who were to be the palladium of India’s rights and liberties have thrown ‘the great and solemn trust of an inscrutable Providence back upon the hands of Providence to be looked after as ‘Providence itself thinks best.’ The affairs of India, especially in the Financial Department, have passed with no kind of check whatever into the hands of the Secretary of State.”

19,086. After the conversation which has taken place, do you still put that in that unqualified manner—“with no kind of check whatever”; you have admitted, to a certain extent, that that is not quite correct?—Theoretically I admit there is a certain check.

19,087. And it has been pointed out to you that the Secretary of State cannot, without a majority of the Council, order a rupee of expenditure. With these facts before you, to which I do not think you have demurred—?—Certainly not, because they are facts.

19,088. Are you prepared to use those words in that unqualified manner?—I am quoting Mr. George Yule, who says that the affairs of India, especially in the Financial Department, have passed with no kind of check whatever into the hands of the Secretary of State.

(Chairman.) Oh, I beg your pardon.

19,089. (Sir Andrew Scoble.) Who is Mr. Yule?—He was President of the Bengal Chamber of Commerce, Sheriff of Calcutta, Member of the Viceregal Council, and he became in 1888—

19,090. I do not think he was a Member of the Viceroy's Council?—Not at the time, perhaps, when you were there, but he certainly, so far as I know, was a Member of the Viceregal Council, and he was given the power to bring questions before the Council?—I do not mean to say it does no good. He was Sheriff of Calcutta, and he was senior partner in the firm of Andrew Yule & Co.; he was a most respected European resident of Calcutta. He says:—"I do not blame the present members of the House of Commons for thus abdicating the functions that their predecessors of 30 years ago assumed. The truth is they have no time to attend to the details of the trust (page 74, Congress Report of 1888)." But though Parliament might pay but little attention to Indian affairs, a Committee of the House charged with the particular duty would do justice to it. Under the enlarged Councils Act of 1892, the Legislative Council of India discusses the Indian Budget, and the Provincial Councils discuss the Provincial Budgets, but they are precluded from moving any resolution or dividing the Council in respect of any financial question. Even official experts are of opinion (*vide* evidence of Sir Auckland Colvin) that not much benefit is derived either to the people or the Government from these Budget debates. The utility of the discussion of the Budget in the Provincial Councils is considerably diminished when it is borne in mind that the Budget is discussed under the orders of the Government of India only after it has received the sanction of the Government.

19,091. (Chairman.) I can quite understand your holding that the right to propose amendments is of great importance, but do you not somewhat underrate the value of the independent action of members who have the power to bring questions before the Council. I do not mean to say it does no good whatsoever. We certainly exercise—I am speaking as an independent member of the Council myself—we certainly exercise some kind of moral pressure, but if we could move amendments with regard to items of expenditure, it would be a great improvement. Take the question of education, for instance, about which we feel so strongly. If the Government put down, say 24 lakhs of rupees as the educational expenditure of the year, and we say that it should not be 24, but 28 lakhs which should be budgeted for, and we point out details which would justify that expenditure, it would be a great advantage—at the present moment all we can do is to make speeches.

19,092. (Sir Andrew Scoble.) Then you want more power than the House of Commons possesses in regard to the English Budget?—I do not know exactly what the constitution of the House of Commons is in this respect; I am speaking of the Indian Councils.

19,093. The House of Commons can only reduce, and cannot increase expenditure—It can only reduce?

19,094. (Chairman.) The House of Commons cannot propose a vote increasing expenditure?—In that case it would be, I am afraid, in excess of the power of the House of Commons.

19,095. Therefore, you are pleading for power in excess of that possessed by the House of Commons?—I should not like to appeal for power which the House of Commons does not possess, but we might limit it to that only; that we might not move amendments which would add to the expenditure, but that we might move amendments which would reduce expenditure. I think we might do that. I should not have the slightest objection to qualify my statement in that way; but at the present moment all I complain of, and what the Members of Council complain of, is this, that we make speeches upon the Budget, but that we are not permitted to move the smallest amendment with regard to the most insignificant item in the Budget. I do

not see any reason why this should not be granted to us, having regard to the fact that Government has a standing majority in the Councils.

19,096. Do you not think that the expression of opinion by the non-official members, if they are unanimous on the point, is an indication of popular opinion which the Government would certainly take into consideration?—Certainly it is an indication, but what we want is to appeal to the public as well as to Government. If we had a definite amendment to move—they have not the time to read all our speeches; but, if we had the right to move a definite amendment with regard to any particular matter, that amendment would catch the eye of the public, and the public attention would be drawn to it. It would focus the opinions of the non-official members in such a practical form as to attract public attention at once. That is the view that we desire to put forward.

19,097. With regard to the Provincial Budget, do you mean that the Government of India, having sanctioned the Provincial Budget, there is practically no means of amending that Budget, even if the most convincing proofs of the necessity for so doing are brought forward?—That is our conviction. I have the question and answer here before me with respect to the matter; I asked a question with regard to this matter in the Provincial Council, and here is the answer which was given. The Budget is sent about the 10th March to the Supreme Government, and we discuss the Budget towards the end of March. Why should not the debates be sent forward too, and the Government of India would be placed in possession of the official view of the matter as well as the non-official view; and to that the reply was that the orders of the Government of India were that these Budgets should be laid before the Government of India, and the sanction taken of the Government of India, and then the Budget was to be discussed. In fact, complaint has been made that our discussion was academic. I had ventured to suggest, by a question which I had put in Council, that the Budget might be submitted to the Government of India, together with the record of the discussions in connexion with it, when I was informed in reply that the procedure followed was in accordance with the orders of the Government. For the more effective discussion of the Indian Budget, as bearing upon the question of Indian expenditure, the Budgets should be laid before the Councils at least a fortnight before the discussion takes place. The Honourable Mr Sayani, the Member representing the Bombay Presidency in the Viceroy's Council, complained that they had only a week's time to consider the Budget, and no time to get instructions from their constituents. In the Bengal Council the Budget is laid on the table only a week before the discussion. The practice involves a serious encroachment upon the right of interpellation, in connexion with the Budget, for under the Rules of Council, at least six clear days' notice has to be given before a question can be put. If this rule is strictly interpreted, no questions can be put upon the Budget if it is presented only a week before the discussion; for the questions will have to be put on the very day that the Budget is presented, which, of course, is impracticable. I understand that in connexion with the Bombay Legislative Council, the Budget is introduced at least a fortnight before the discussion.

19,098. Is that rule strictly enforced?—It is. I was the victim of it, last time in connexion with certain questions which I desired to put in connexion with the Bengal Budget, and then it was pointed out to me that under the rules no questions could be put.

19,099. (*Sir Andrew Scoble.*) I think the rule is "except with the permission of the President"?—Yes, the President can exercise his discretion in the matter.

19,100. And if the President considers that the question is of sufficient importance he would allow it to be put?—I may just mention that under Sir Charles Elliott's régime we used to put questions on the Budget, and those questions were allowed to be put in the exercise of the discretion, to which you have referred, if we gave notice of them on the Wednesday preceding; the discussion used to come on the Saturday; but this rule, I am sorry to say, has not been observed under the régime of Sir Alexander Mackenzie. The same sort of questions were put. I put the same sort of questions on both occasions, and it was pointed out that under the rules I had got beyond the limitation of time.

19,101. (*Mr Caine.*) Is it not the case that questions are put by Members of both the Provincial and the

Viceroy's Councils, answers to which are refused, which are subsequently put in the House of Commons, and answers obtained from the Secretary of State?—Yes; I know of one case that has happened. Some very important questions in connexion with the Accounts Department were put before the Supreme Legislative Council, and those questions were disallowed; but the selfsame questions, practically the same questions, were subsequently put by Mr. Roberts before the House of Commons.

19,102. And answered?—Yes.

19,103. Do you think it is very desirable that there should be some change by which you could obtain the answers in India itself, rather than adopt that round-about course of getting them from England?—Certainly it would be most desirable, because we should be in a position to check the answers which are given.

19,104. (*Chairman*) In such cases as that, though it is quite arguable that it might be desirable that you should have the power of putting questions in the local Legislative Council; at the same time, the case cited shows there is an appeal to Parliament, and that that appeal is not altogether inefficient as it stands at present?—I do not mean to question that at all. I think the appeal to Parliament is very useful. If I may be permitted to make one suggestion, there is this one power which Members of Parliament possess which we do not possess in India; if an unsatisfactory or evasive reply is given, or portions of questions are left unanswered, we are not allowed on the spot then and there to correct that; in Parliament that can be done as far as I understand the practice to be here.

19,105. (*Mr. Caine*.) Do you think the rules with regard to interpellation in the Viceroy's Council, and in the Provincial Council, should be assimilated to the rules which prevail in regard to questions in the House of Commons?—I certainly think so; and with the greatest possible advantage both to the interests of Government and to the people alike.

19,106. (*Mr. Courtney*) But the rules of the House of Commons are not held to be perfect?—Ours are still more imperfect.

19,107. It is said that ours are too redundant?—I am not familiar with the rules, but there is one rule which I know, or which I have gathered from reading the newspapers, and that is, that if questions are put and answers are given, and portions of the questions are left unanswered, members can at once call attention to the portions which are left unanswered. We cannot do that; under our rules we are at once stopped.

19,108. (*Sir Andrew Scoble*.) Can you point out the rule under which you cannot exercise the power which you have just expressed a desire to exercise, in regard to getting a complete answer; which is the rule which prevents that?—I have got the rules here; shall I read them out?

19,109. Yes?—These are the Rules for the Council of the Governor General of India. Shall I read the rules for the Provincial Councils?

19,110. No, read the one on which you rely. That will be enough?—“Any question may be asked by any member, subject to the following conditions and restrictions. “A member who wishes to ask a question shall give at least six clear days' notice in writing to the Secretary to the Government of India in the Legislative Department, submitting in full the question which he wishes to ask. Questions must be so framed as to be merely requests for information, and must not be in an argumentative or hypothetical form, or defamatory of any person or section of the community. The President may disallow any question without giving any reason therefor other than that, in his opinion, it cannot be answered consistently with the public interests, and in such case the question shall not be entered in the proceedings of the Council.” This is the rule to which I call your attention “The President may, if he thinks fit, allow a question to be asked with shorter notice than six days; and may in any case require longer notice if he thinks fit, or extend, if necessary, the time for answering a question. When the President has permitted a question to be asked, it shall be entered in the notice paper for the day, and questions shall be put in the order in which they stand in the notice paper before any other business is entered upon at

“ the meeting. A question shall be read by the
 “ member by whom it was framed, or, in his absence,
 “ if he so desires, by some other Member in his behalf,
 “ and the answer shall be given by the member in
 “ charge of the department concerned, or by some
 “ other member whom the President may designate
 “ for the purpose. The President may also rule, at his
 “ discretion, that an answer to a question on the
 “ notice paper, even though the question be not put,
 “ shall be given on the ground of public interest. No
 “ discussion shall be permitted in respect of an answer
 “ given to a question asked under these rules. The
 “ question asked and the answer given to it shall be
 “ entered in the proceedings of the Council.”

19,111. Will you point out in those rules where there is anything to prevent your asking for an answer to a portion of a question that has been left unanswered?—We cannot do it at the time.

19,112. Where is there anything to prevent it?—We are not permitted to do it.

19,113. There is nothing in the rules to prevent it?—There may not be anything in the rules to prevent it, but there is nothing to allow it either.

19,114. But where is it forbidden?—This being a power given for the first time to the Government, we are not allowed to traverse beyond the limitations which are laid down here.

19,115. I can understand that you are confined within the limitations of the original questions; but you say that if you do not get an answer to a question you are not allowed to press for it?—As a matter of fact, we are not allowed to do so.

19,116. There is nothing in the rules—that is what I contend—to prevent it?—I want to point out this; that these rules give a certain power to the Government of India, and in giving that power, powers which are not specifically given in those rules must be presumed not to exist.

19,117. I want you to answer my simple question; do you find anything in the rules which prevents your getting a complete answer?—Not as I have read those rules.

19,118. (*Mr. Caine*) But it is the case that you frequently are refused?—Certainly.

19,119. That the President of the Council interprets the rules in that way?—Certainly.

19,120. (*Mr. Courtney*) Does he give a reason for refusal?—He is not bound to do so.

19,121. Does he?—No.

19,122. Can you refer to any case in which this has happened, that you or any other Member have put a question which involved two or three questions, and an answer is given to two out of the three, and you have observed that number three is not answered; has that ever happened?—I cannot recall to mind an instance of that kind at the present moment.

19,123. The complaint you made was that that question number three was not answered, and that you could not get an answer?—Such a complaint is frequently made in the newspapers. Here is one which I quote from the “*Bengalee*” of the 17th April, which reproduces an extract from the “*Advocate*” of Lucknow regarding the employment of civil assistant-surgeons, about which a question was asked in the Council of the North-Western Provinces. This is the comment: “*To the first part of the question no reply was given.*” There are two parts to the question; a reply was given to the second part but not to the first.

19,124. Did the questioner go on to say “*You have not answered question number one*”?—I do not think he did. I cannot recall to my mind at the present moment an instance in which, the first part of a question not having been answered, the Member called the attention of the Government that it was so; I cannot recall an instance.

19,125. That is the practice followed in the House of Commons; unless a member whose question is not answered takes that step, he cannot complain of an answer not being given, because he has not exhausted his powers of getting an answer?—The practice with us is that a question is put, and an answer given, and the matter ends there; that is the practice.

19,126. That may be the fault of the questioner?—Now that we have got this expression of opinion, we shall test it; but I am afraid we shall not succeed.

19,127. (Chairman.) At all events, that point which has been raised has not, according to the evidence that you are able to give us, ever been brought to issue?—That can easily be done; and with this expression of opinion, I have no doubt it will be done.

19,128. (Sir James Peile.) What is the date of those rules?—These are the latest.

19,129. What is the date?—1893, I think.

19,130. Five years ago?—2nd February, 1893.

19,131. Four years ago. At that time a great extension was given to the powers and privileges of the Members of the Legislative Council, was it not?—Yes.

19,132. That was an experiment?—Yes.

19,133. It does not follow that no further extension shall be given?—No, in fact we are hopeful of further extension, and it is because we are hopeful of that, that we are pressing the matter here.

19,134. (Chairman.) Will you proceed?—There is indeed no reason for the restriction imposed, in connexion with the moving of amendments upon the Budget, having regard to the fact that there is a standing official majority in the legislative councils in India. No non-official member has the smallest chance of carrying an amendment if the Government was firmly determined to resist it. There is no sort of check upon expenditure from the taxpayer's point of view; and this check has been found most useful, even in India in connexion with the administration of our self-governing local bodies.

19,135. (Sir Andrew Scoble.) When you say that there is no check upon expenditure from the taxpayer's point of view, if additional taxation is imposed in order to meet the necessities of the Budget, you have a mode of dissenting from that additional taxation, have you not?—Exactly; that is to say, we may dissent, but we are bound to be in a minority.

19,136. You may be in a minority, but still you have a power of dividing the Council and recording your vote against that additional taxation?—Only in a question of taxation.

19,137. From the taxpayer's point of view is not the question of taxation the important question?—All items in connexion with the Budget are questions in which the taxpayers are very intimately concerned. Taxation is only one matter affecting them; but if there is no question of taxation the whole Budget is laid before the Council, and in regard to the items in the Budget we may make speeches but we have no right of moving amendments.

19,138. But you have every opportunity to comment upon any item of expenditure which you consider unadvisable?—That is the whole point at issue between Government and ourselves; we have the right to comment, but no right to focus our views in the definite form of an amendment.

19,139. You cannot move an amendment and divide the Council, but if you are always in a minority what is the use of dividing?—It would be of the greatest possible benefit if we could divide. Let me give you an instance. We were in a minority with reference to the Drainage Bill, and the Bill was passed in the teeth of the opposition of the non-official minority, and that Bill has become a dead letter. In not a single instance has that Bill been given effect to, because of the unanimous expression of opinion on the part of the non-official members of the Council.

19,140. That shows that your opposition is very effective?—That is so; our opposition was effective, because we had the opportunity of moving an amendment. We moved an amendment that this Bill be not given effect to, or something to that effect, and the result was that the Bill has not been given effect to.

19,141. (Sir Ralph Knorr.) Was there a division upon it?—Yes; and all the non-official members in a body voted against the Bill, but the Government passed the Bill in the teeth of the opposition of the non-official members, and since 1894, and it is now 1897, in not a single instance has that Bill been given effect to.

19,142. (Chairman.) I think you have restricted your statement, have you not, to this point, that there is no sort of check upon expenditure?—Quite so; that is so. This check has been found most useful even in India in connexion with the administration of our self-governing local bodies. Finance is their strong point, and the

most notable instance in this connexion is afforded by the Calcutta Municipality. The financial position of the Municipality has been strengthened under the government of the Elected Commissioners, and its credit has greatly improved. The Municipality now borrows at the rate of $3\frac{1}{2}$ per cent. Before 1891, the rate of interest was 5 per cent. It has gone down to $3\frac{1}{2}$ per cent.

19,143. Without in any way questioning your view of the position of the Calcutta Municipality, is it not the fact that the rate of interest has fallen generally, you may say throughout the world, and that all borrowing bodies have profited by that fall?—That is so.

19,144. So far, therefore, the proof that you bring forward is not a proof peculiar to the Calcutta Municipality; and, inasmuch as it is common to all borrowing bodies, it is not a distinct proof of the ability of the Calcutta Municipality?—I want to point out that, if the Calcutta Municipality was a bankrupt body, and had not good credit, it would not borrow at $3\frac{1}{2}$ per cent.; therefore two factors in it, the growth of capital, and the credit of the Corporation

19,145. I am not questioning your view of the position of the Calcutta Municipality in the least; it was only your instance which struck me as applying to all borrowing bodies?—I quite accept that.

(*Mr. Caine*) The witness's point was that the Calcutta Municipality borrowed at 5 per cent. in 1891, and now it borrows at $3\frac{1}{2}$ per cent. I think it shows, certainly, a very great improvement in the borrowing powers of the Calcutta Municipality.

(*Chairman*.) Very possibly

(*Mr. Caine*) One and a half per cent. is much more than the fall of the market; there has been an improvement in the credit as well as a fall in the rate of interest

19,146. (*Mr. Courtney*) Did they borrow in 1891 at 5 per cent.?—Yes.

19,147. They borrowed?—I cannot remember the date exactly, but in 1890 they might.

19,148. (*Sir Andrew Scoble*.) But did they?—They are constantly borrowing for large works and expenditure.

19,149. (*Chairman*.) Have they a large debt?—Yes, about two crores, I think.

19,150. Where do they borrow?—In Calcutta; they borrow in Calcutta.

19,151. And they find people who will advance them money at $3\frac{1}{2}$ per cent.?—Certainly, twice over. We reduced the debt before the Government undertook this operation; the Government began the reduction in 1891.

(*Chairman*.) Mr. Caine will recollect that between 1891 and 1897, with the Imperial Government and other Governments, the fall in interest has been very considerable, and I am not quite certain that we should invariably put that down to the credit of the Chancellor of the Exchequer for the time being.

19,152. (*Mr. Caine*.) You can find out what the fall in the market has been. Portsmouth borrowed at $3\frac{1}{2}$ per cent., and got 96l. in 1890, that has risen to 110. There has only been a difference of $\frac{1}{2}$ per cent. in Portsmouth, and $1\frac{1}{2}$ per cent. in Calcutta shows that the borrowing powers there have greatly improved?—What is true of the Calcutta Municipality is true of most other municipalities in Bengal, where the representatives of the ratepayers control the expenditure. It is perfectly true that even if the Members of Council had the right of moving resolutions in respect of financial matters, they would be in a minority under the existing constitution of the Council. But a unanimous or a nearly unanimous vote of the non-official members on a financial question would be an index of popular feeling which the Government of India would not ignore. I do not regard this duty of controlling the expenditure in any sense as a radical proposal, or one calculated to weaken the authority of the Executive Government. On the contrary, by focussing the views of the popular representatives, it will afford the Government a valuable index of popular feeling. It is my impression, though I have not been able to verify it, and I state it for what it is worth, that in the Ceylon Legislative Council if the non-official members are unanimous with regard to any item of expenditure in opposition to the views of the official majority all

action is suspended until the sanction of the Colonial Secretary has been obtained.

19,153. (*Chairman*) In speaking of your impression as to the practice in Ceylon, do you mean that there is an unofficial rule to that effect?—I remember to have read this in the proceedings of the Ceylon Legislature, and I have been hunting over the proceedings, but have not been able to lay my hands on them; I would not like to make the statement without proof.

19,154. That is not the case, I think?—Is it not possibly.

19,155. I do not speak positively; I asked a question on the point, and I was told that it is not the case; but I do not say you are wrong, because I do not know it positively; but if there is not an official rule, does not this really resolve itself into this, that it is within the discretion of the Governor of Ceylon, if there is a very strong non-official expression of opinion against the act of the Government, to refer the Act to the Colonial Secretary before giving effect to it?—Yes.

19,156. And does it not lie within the discretion of the Governor-General to do the same thing with the Secretary of State for India?—Certainly.

19,157. Therefore, unless there is a rule, would you not admit that there is no great difference between the powers of the two governors?—That is so; I do not know exactly what the state of things is; that is to say, if there is a rule, that when there is a difference of opinion about finance between the non-official members and the Government—if there is a rule to that effect, of course, that would be of great advantage; but, if it is a matter of discretion, the Viceroy, certainly, might exercise the same discretion.

19,158. I only want to bring us to an understanding on the point?—It would depend on the Viceroy.

19,159. If there is a rule there is considerable force in your argument, but if there is not a rule it appears to me that the discretion of the Governor in Ceylon, and that of the Governor-General in India, are precisely the same?—I was under the impression that there was a rule, and I was arguing under that impression. In my evidence I allude to nothing more than what is my impression. Some sort of control on the part of the taxpayers has become all the more necessary when it is borne in mind that since 1835 the power of the Finance Minister in checking expenditure has been considerably weakened, owing to the military policy which has been followed in recent years.

19,160. Here, again, you are aware that the evidence before us shows a difference of opinion?—There is a difference of opinion. As a further check upon expenditure I would recommend that one Member of the India Council for each of the three Presidencies of Bengal, Bombay, and Madras should be elected by the non-official members of the Supreme Legislative Council.

19,161. That is to say, three presidency members should be added to the Indian Council here, who should be native gentlemen?—Not necessarily native gentlemen; they could be European gentlemen for the matter of that; if they had a sympathetic feeling for the people, why should not European gentlemen be elected; there is not the smallest objection.

19,162. (*Sir Andrew Scoble*) Why would you limit it to the three Presidencies?—I should be very glad to have five. I only bring it forward as a tentative proposal, but it seems to me that three is the minimum that we should have to begin with.

19,163. Leaving out the North-West Provinces and the Punjab?—I think the others could look after the North-Western Provinces and the Punjab. If you will give us the North-West Provinces and the Punjab we shall be delighted; but for the present, at any rate, that is what I venture to suggest. Periodical inquiry (once in every 10 or 20 years) into Indian Affairs by a Royal Commission or a Parliamentary Committee would also ensure the same result. The Indian public look back upon the Parliamentary inquiries of the past with mixed feelings. They regret that these inquiries should have been discontinued; they are grateful for the results which they led to. At the Parliamentary inquiry held in 1832, Raja Ram Mohan Roy, the most illustrious name in modern India, gave his evidence, and he suggested reforms, one of which, at any rate, the separation of judicial and executive functions, has come within the range of practical politics. The inquiry led to the enactment of the Charter Act of 1833, the 87th Section of which

removed a grave disability from natives of India. The subsequent Parliamentary inquiry threw open the Indian Civil Service to general competition, from which natives of India were not excluded. Since then no Parliamentary Committee has been appointed which has borne any fruit. The people of India regard the stoppage of these inquiries as seriously interfering with their progress in obtaining a due share in the administration of their own country.

19,164. (*Chairman.*) What do you mean by these inquiries? Were they not inquiries which took place at each renewal of the Charter?—Precisely so.

19,165. They were at intervals of 20 years?—Twenty years.

19,166. Can you say that since the last question of the renewal of the Charter, which I think was in 1853 —?—The last one was in 1853.

19,167. Can you say that there has been a stoppage altogether of such inquiries?—I do not say that they have been stopped, but they have borne no fruit. There have been inquiries about minor matters, but no inquiries of a general character. There was the Committee of Mr. Fawcett, and the committee of Lord Randolph Churchill, but those Committees I do not think reported; Parliament was dissolved before those committees could submit their reports, therefore they did not lead to any substantial results; but the Parliamentary Committees I have referred to have always been productive, from the Indian point of view, of most beneficial results.

19,168. You do not refer to any other inquiries except those that took place on the renewal of the Charters?—Yes; I refer to those.

19,169. You will observe that in your evidence you speak of the stoppage of those inquiries; "that the people of India regard the stoppage of those inquiries"?—Perhaps "stoppage" is not the exact word, "the people of India regard the stoppage of these inquiries as seriously interfering with their progress," that is to say, no inquiries of a general character have been held and with definite results; there have been two inquiries, one by Mr. Fawcett's Committee, and the other by Lord Randolph Churchill's Committee; there have been these inquiries, but they have not been productive of definite results.

19,170. If you saw a list of the Parliamentary inquiries that have taken place since India came under the rule of the Queen, I think you would find that the number of Parliamentary inquiries has considerably exceeded the number that took place before?—They have been about small matters, railways, and things of that kind, but there have been no inquiries upon the scale I have suggested, general inquiries into Indian Affairs.

19,171. You think that there is no use in an inquiry unless it extends to everything connected with Indian Affairs?—I will not put it so strongly as that. Of course, there is use in inquiries, they are always useful, but there would be greater use in having larger inquiries than inquiries referring in smaller matters.

19,172. Do you not think it possible that if you have very extensive inquiries, the field of investigation may become too great?—We judge a tree by its fruits. The comprehensive inquiries of 1833 and 1853 have been productive of the most beneficent results.

19,173. You leave us under the impression that there have been no very beneficial results for India, except those which followed each of those inquiries. May I ask, with reference to the very subject of your evidence on the Legislative Council, and on decentralisation, has not a very considerable advance been made in those 40 years in admitting native opinion to power, and, further than that, the different Provinces to manage their own affairs; are they not considerable results?—Very considerable indeed.

19,174. I observe that in your evidence you would give people to understand that there has been a perfect stoppage of beneficent legislation, since India came under the Crown?—I do not mean to suggest that; I should be false to myself, and false to my countrymen if I said that the expansion of the Councils has not been productive of good results. What I want to say is this—that the Charter Act of 1833, we regard

as perhaps the most beneficent piece of legislation that has ever been put upon the statute book, barring the Queen's Proclamation, and therefore we are justified in holding that those earlier inquiries have been fraught with the most beneficent results.

19,175 (*Mr. Courtney*) Has not the situation entirely changed?—Those earlier inquiries were inquiries by Parliament into the administration of a separate, if not an adverse power?—I quite recognize that fact, that it was the Crown and the East India Company that were concerned, and the Crown instituted those inquiries in order to see whether Government under the East India Company had been properly conducted or not. It seems to me that if the Crown were to institute inquiries as to whether Government under its own immediate control had been properly conducted or not, the results would be very much the same.

19,176. Surely the thing is entirely different, not only in the scope, but in the motive principle of the inquiries. In one case Parliament is inquiring into something being done by a body, temporarily at least, outside and independent of itself; in the other case Parliament is asked to inquire into something which is always subordinate to itself?—If you will permit me to say, although practically the Government is subordinate to Parliament, Parliament does not exercise that control which the people of India have some right to expect it to exercise.

19,177. As suggested by our Chairman, Parliament does at short intervals exercise control in a certain degree, so that there is not an accumulation of change awaiting a decennial inquiry, change is constantly going on?—I would point out that the changes in the conditions and circumstances of Indian life, since the assumption of the Government by the Crown have been far deeper and more rapidly effected than the changes which took place under the East India Company, and therefore it seems to me that there is greater need on that ground for these inquiries than before.

19,178. Have not the changes made by the Government of India since the assumption of the government of India by the Crown been greater than the changes made before?—I quite admit that the changes have been very great. I am not in a position to institute an inquiry, but it seems to me that greater changes are required, and I am perfectly certain that if these committees of inquiry were appointed, these changes would be indicated by those Committees.

19,179. The inquiry of 1833, to which you refer, was exceptional also in this regard, that it was an inquiry by an entirely reconstituted authority at home; it was almost a new parliament?—Yes, under the Reform Bill.

19,180. Yes?—In 1853 we had that inquiry and it led to very important results.

19,181. (*Mr. Buchanan.*) Between 1833 and 1853, there was practically no legislation for India in the Parliament here?—I have not studied that subject; I am not in a position to say so.

19,182. Whereas from the time of the assumption of the Government of India by the Crown to this present time we have had constant and continuous legislation for what we believe to be the improvement of Indian Government?—Legislation made by the Government of India?

19,183. And also by the Parliament here?—I do not know that there have been many enactments passed by Parliament affecting India.

19,184. You look at the statute book; there are a considerable number?—The Council of the Governor General came into existence in 1861. Naturally enough, there would be many more enactments in connexion with India by the Government of India.

19,185. Is it not a fact that you have had progressive and continuous legislation upon Indian subjects during the past 40 years which you had not in the previous period?—I admit the force of that statement, that the Government is essentially a progressive Government, but what I say is this, that progress would receive a larger and more adequate impetus if you had these inquiries; that is what I venture to submit.

19,186. You would not have any inquiry unless it extends over the full field of Indian Government?—We should be more pleased if we had these inquiries extending over a wide area, every inquiry would do good.

but the more comprehensive they are, the better for us, we think. The remedies therefore that I would suggest may briefly be summarized as follows:—(1.) Members of the Legislative Councils should have the right of moving amendments and dividing the Council with regard to items in the Budget; and the Budgets should be laid sufficiently early before the Councils to facilitate discussion; (2.) A Committee of the House of Commons should be appointed to look into Indian accounts and control Indian expenditure.

19,187. (*Chairman.*) Those are two separate functions; do you mean that the same Committee should be charged with both—the Committee of the House which you wish should be appointed to look into Indian accounts and to control Indian expenditure?—Should look into Indian accounts and report the matter to the House; that is what I want to say.

19,188. But you also say “control Indian expenditure.” I point out that the control of Indian expenditure and the examination of accounts are two very separate functions?—I admit that; quite so. Look into Indian accounts; I would stop there, and report the matter to the House.

19,189. You do not dwell upon the suggestion that they should control Indian expenditure?—No; that is to say, they should report the matter to the House.

19,190. As far as the examination of accounts is concerned, that, of course, is a function that could be discharged by a committee, though under certain difficulties which would have to be considered, but do you feel quite certain about the good effect of calling a Committee of the House of Commons into existence, with powers of control over the details of Indian administration?—I do, certainly; I would trust a great deal to the business experience of a dozen Englishmen, conversant with public affairs, in regard to these matters. We have official control, and we should like to have non-official popular control; I certainly think it would produce satisfactory results.

19,191. And you would have no fear that the views of English constituents, which are not in accord with Indian views, would have any effect upon the Committee?—We take the good with the evil, and we believe that on the whole it would produce better results than otherwise.

19,192. (*Mr. Courtney.*) Have you any warrant in fact for that belief?—In this way, that these Committees of inquiry in the past—I fall back on them—I presume, were appointed on parliamentary party lines. Those Committees made their reports, and those reports have been productive of good results.

19,193. The essential thing to which I called your attention is that they had not inquired into the administration of the Government of the day?—They inquired into the administration of Indian affairs.

19,194. The administration of the East India Company?—It was the Indian Government that they inquired into, and the affairs of the Indian Government that they reported upon.

19,195. (*Sir Andrew Scoble.*) I should like to ask you with regard to the functions of this Committee, would they inquire into expenditure before or after it has been incurred?—Not in that way. Here is the Budget—the Indian Budget—which is laid before the Council of the Governor-General. That Budget will be sent on to the House of Commons, and the Select Committee will look into the Budget and the accounts, and make a report to the House of Commons before the debate takes place in the House of Commons.

19,196. Is there to be no expenditure under the Budget arrangements of the year until this Committee has reported?—Certainly it is to go on. The effect will be moral; that is to say, they will not say, “You must not spend this, or that, or the other,” but they will say, “This item of expenditure ought to be this, and that item ought to be that.” They will be a sort of consultative body, reporting to the House of Commons, and exercising moral influence, moral pressure upon the Government.

19,197. You want 12 members of the House of Commons to discharge a duty which is now left to 670?—I think what is everybody’s business is nobody’s business, and if 12 men are entrusted with the duty, they would do it better than 670. I speak, from my own

experience, of a corporation having 72 members; when we sit down with 72 present, we talk; but when there are but 12 of us, we do the business.

19,198. (*Mr. Courtney*) I do not want to disturb your faith, but you are worshipping a blind and a deaf god? — That is the conviction of a whole community, and I am here to give expression to it.

19,199. Just consider the difference if we have a committee here to examine into the administration of any branch of the Government at home, be it army, navy, or civil administration, the members of the committee appointed for the purpose are cognisant of the facts of the administration themselves; they are in touch with the electors, who feel and write to them what they think about all that is going on, and they are representative of the nation affected directly with the administration, looking into the administration; but in the case of India, if you had this Select Committee formed of the nucleus of the House of Commons here, with the exception of two or three, they would know nothing about India; they would not be in touch with the electors; there would be no electors to be in touch with, and the result which you may expect with some confidence from the one body you cannot look for in the other, because they have neither knowledge or thought proper for it? — Possibly the same results would not be obtained in the one case as would be obtained in the other, but we have confidence in the impartial judgment of a number of Englishmen of business habits conversant with public affairs dealing with Indian considerations. Of course, the two things do not stand on the same footing, but if we cannot obtain those large results which English constituents are accustomed to obtain, I hope we shall be able to obtain some good results. At any rate there is no harm in trying the experiment and silencing us, so if we are wrong, by showing that the scheme will not work. The further remedies that I would suggest are, one member of the India Council in London should be elected by the non-official members of the Supreme Legislative Council for each of the three Presidencies of Bengal, Bombay, and Madras. Periodical inquiries by Royal Commissions or Parliamentary Committees would promote the ends of economy and good government.

19,200. (*Chairman.*) Now, I think that concludes the opinions you wish to express to us on the subject of the machinery of expenditure, and the next branch you wish to take up is that of provincial contracts?— Yes. There is no question in the whole range of Indian finance of more vital importance to administrative progress or more deserving of serious consideration than the question relating to the working of the provincial decentralisation system. It was initiated by Lord Mayo chiefly with a view to definitely “limit for the present the expenditure from the general exchequer on certain important branches of Civil expenditure, the very branches, indeed, where, from the progressive spirit of the age, the demands for increased outlay have most arisen and would most arise, and in which, from the nature of the case, the Supreme Central Authority is least able to check the requirements of the local authorities.” (Extract from Sir Richard Temple’s speech in introducing the Financial Statement in the Supreme Council, on the 9th March 1871.) The hope was also expressed at the time, by the same high authority whom I have just quoted, that the new system thus inaugurated “will teach the people to take a practical share in provincial finance, and lead them gradually towards a degree of local self-government, and will thus conduce to administrative as well as financial improvement.” The system underwent a further development in 1877, and a still more remarkable development in 1882, under the auspices of Lord Ripon’s government. The principle was adopted that “instead of giving Provincial Governments a fixed sum of money to make good any excess of provincialized expenditure over provincialized receipts, a certain portion of the Imperial revenue of each province was to be devoted to this object. Certain headings were wholly, or with minute local exceptions only, reserved as Imperial; others were divided, in proportions for the most part equal between Imperial and provincial, the rest were wholly, or with minute local exceptions only, made provincial. The balance of transfers, being against the Provincial Governments, was rectified for each province by a fixed percentage on its land revenue (otherwise reserved as Imperial) except in Burma, where the percentage was extended to the Imperial rice export duty and salt revenue

“also” (Resolution of the Government of India, No. 3353, dated Simla, the 30th September 1881.)

19,201. What do you mean by the balance of transfers being against the local governments?—That is to say, the expenditure was more than the receipts. The expenditure which they were placed in charge of was more than the receipts that were made over to them; therefore, there being a balance against them, a certain percentage of the land revenue was given.

19,202. Quite so?—The declaration was also made, that; while on the one hand Provincial Governments must look for no special aid from the Imperial Government, except in case of severe famine, the Imperial Government would make no demand on them “except in the case of a disaster so abnormal as to exhaust the Imperial reserves and to necessitate a suspension of the entire machinery of public improvement throughout the empire.” This reservation was partly modified by the subsequent orders of the Secretary of State, who empowered the Imperial Government to demand contributions from the Provincial Governments upon ordinary emergencies.

19,203. Can you tell us what those orders were?—I could not tell you the exact words of the order, but the orders were “ordinary emergencies.” Deficit, and things of that kind were included in that category.

19,204. And there was no definition of “ordinary emergencies”?—I do not think so.

19,205. But you are sure that the term “ordinary emergencies” was used?—Certainly. Subsequent contracts have proceeded upon the lines of Lord Ripon’s scheme, subject to modifications as to the apportionment of shares between the Imperial and the Provincial Governments. Great stress was laid upon the progress of self-government as forming a part of the scheme of decentralization in finance, which was referred to as affording an opportunity “for the association of natives and Europeans to a greater extent than heretofore in the administration of affairs.” Provincial Governments were instructed to hand over “to local self-government considerable revenues at present kept in their hands.” This has not been done to the extent contemplated.

19,206. That is to say, as the Central Government handed over large powers to the Provincial Governments, so the Provincial Governments in their turn were to delegate powers to subordinate authorities?—Precisely; and I have some figures of the receipts made over to local bodies. These are certain local receipts of the Provincial Government of Bengal. One-third of the ferries, which are purely local receipts, go to the provincial funds, and two-thirds are made over to the local bodies.

19,207. What local bodies?—District boards and municipalities.

19,208. Do you yourself favour that policy of further delegation?—Certainly, most certainly. Public attention in India has been prominently drawn to this question within the last two or three years in view of the contracts which have just been concluded. The matter has been discussed in our Conferences and in the Congress which sat at Calcutta in December last, and the general opinion is (and it is an opinion largely shared by Provincial Governments and local officials) that the system, as judged by its practical working for the last 25 years, is essentially faulty, and that it needs revision. The term is too short, the resources placed at the disposal of the Provincial Governments meagre, and, in many cases, inadequate to meet the urgent needs of domestic improvement. The re-adjustments are followed by curtailment of domestic expenditure, and, by the time the former level is reached, the contract period expires and a fresh adjustment takes place, leading to a fresh curtailment of expenditure. The process continues to the detriment of the domestic interests of the country, and it leads to considerable irritation between the Imperial and the Provincial Governments. A system which is attended with results such as these must be pronounced to be faulty and to stand in need of revision. What strikes one is the very large proportion of national income which the Central Government reserves to itself as compared with what it allows to local administrations.

19,209. Is your remedy to be an increase of the provincial revenue at the expense of the Imperial revenue?—No; the remedy I suggest is very much on the lines laid down by Sir Charles Elliott. Keep the existing state of things as they are, so far as practicable,

but at the same time give one-half of the increase or the normal expansion of the provincial revenue to the Imperial Government and one-half to the Provincial Government. For instance, in the last two settlements the Imperial Government has been taking three-fourths—I have given the figures later on—the Imperial Government has been taking three-fourths, and giving us one-fourth, with the result that the most urgent domestic improvements have had to be postponed or starved. In fact, I may just mention one instance; the Financial Secretary to the Government of Bengal provided this time for an increase of pay to the ministerial establishment to the extent of 3½ lakhs; that was provided for in the local budget, but the Government of India cut it out in consequence of the pressure on Imperial finance. That is what we complain of; that is the burden of my whole statement.

19,210. You confine the Imperial Government to only a certain proportion of the increase, if the charges of the Imperial Government for the great needs of the Government increase, and if the Government are not able to ask in that case for some reduction of the expenditure on the part of provincial governments, what you are really advocating is an increase of taxation?—No, the first charge of the Imperial Government would be on the provincial funds. If the Imperial Government is not able to meet the necessary expenditure, then over and above the 50 per cent. which I advocate, the first demand upon the provincial revenues would be the charges of the Imperial Government. But my idea is not increase of taxation so much as reduction of expenditure.

19,211. Your argument is for reduction of expenditure; you think that reduction of expenditure is possible?—Not immediately.

19,212. But gradually?—Gradually, exactly.

19,213. And if that is done there would be a larger sum available for the domestic wants of India?—Yes.

19,214. That is an intelligible argument to hold; but, on the other hand, that must be held in connexion with the view of what is necessary for the Imperial expenditure?—No.

19,215. What I want to bring before you is this: I think I understand you if you were to increase the provincial expenditure without reference to the needs of the Imperial Government you would really be arguing for an increase of taxation?—It would come to that—either reduction of expenditure or increase of taxation.

19,216. But your view is—I quite understand—that a gradual reduction of expenditure is possible, and you would give the benefit derived from that to the Provincial Government?—Yes.

19,217. I am not opposing that view at all, because it is a perfectly legitimate view to hold; but I only point out that in the event of Imperial Government finding larger expenditure necessary, or not being able to reduce expenditure, you must face the fact that it means increase of taxation?—It may mean increase of taxation; I would endeavour to reduce first, but if that is not possible it would mean increase of taxation.

19,218. (*Mr. Courtney.*) You said that you have been pressing for increasing certain expenditure?—Yes.

19,219. And it has been provided for?—Not to the extent we have been pressing for.

19,220. But to a certain extent?—Yes, to some extent it has.

19,221. So that your action has been efficacious?—Yes.

19,222. Although you could not move for an increase, you have got it as far as the Government of Bengal is concerned?—As far as the Government of Bengal is concerned. I may say at once that Provincial Governments are in sympathy with the interests of domestic improvements, and they would do much more if they had the means.

19,223. (*Sir Andrew Scoble.*) Would not the Imperial Government do the same?—I know nothing at all about the Imperial Government; I can only speak for my own Government.

19,224. (*Mr. Courtney.*) But your own experience and knowledge pointed to the necessity for increased expenditure?—Yes.

19,225. Which might have been made if the Government of India had not come down for a larger percentage?—Precisely.

19,226. The Government of India, perhaps, had an experience which pointed to increased expenditure on their part?—It is possible, but we looked at the matter from our point of view; and if you will allow me to go on, Sir Alexander Mackenzie distinctly said in 1896 that more expenditure on education was necessary, but he had to cut down the Education Budget.

19,227. (*Sir Ralph Knox.*) You mean really by that that the expenditure which is under your control you think ought to be increased, and the expenditure, which is under the control of other people, ought to be decreased?—I cannot speak for other people; I can only speak for myself. Taking the accounts for 1895-6 we find it is no less than full two-thirds of the total revenues of the country as under:—Total revenues—98·370 crores — 21·8 crores (or in Rs. millions) railway receipts = 76·511 crores. Imperial share, 51·541 crores, or 68 per cent. Provincial and local, 20·8 crores — 4·0 crores = 24·870 crores, or 32 per cent.

19,228. (*Chairman.*) What are those 4 crores that you add to the provincial and local share?—That is the local.

19,229. As distinct from provincial?—Yes; educational cesses are levied that do not form part of the machinery of the Provincial Government. Under our present arrangements the Imperial Government has share of *debt, army, foreign relations, railways, irrigation works, post, telegraph, mint, &c.*, while almost the entire work of internal ordinary administration is left to the Provincial Governments, a division of services as between the central and local administrations, much the same as we have in Federal States, and yet in none of these do we find such a large portion of national income appropriated to the work of the Central Government. In the German Empire it is no more than 35 per cent. of the total revenues; in Switzerland and the United States the national revenue is, roughly speaking, divided half and half between the central and local administrations.

19,230. How do you make that calculation in the case of Germany?—I have got this from Mr. Sayani's speech, a member of the Viceregal Council in Calcutta; those figures are from a speech he delivered. I think those figures are correct, because I am perfectly certain that Mr. Sayani would not have quoted them if they were not correct.

19,231. Do you know how he built them up, because I see in your note you speak of the revenues of Germany, which, I suppose, means the whole of the Empire—185,000,000?—That is from the "Statesman's Year-book of Facts"; these other figures are taken from Mr. Sayani's speech, and they are in the "Gazette of India."

19,232. (*Mr. Caine.*) Have you verified them?—They cannot be verified from the "Statesman's Year-book of Facts."

19,232. (*Chairman.*) You are dealing with Germany, Switzerland, and the United States, which are Federal Governments, in which are a number of States bound together for federal purposes. This is not the case in India?—The object of the decentralisation system was certainly that.

19,234. Not necessarily to that extent?—Oh! no; not to that extent; but I do say it was to associate the people to a greater extent in the administration of the country, and I think the interests of finance, and the interests of the Government, would improve if that were done to the extent contemplated by Lord Mayo. Surely in a country so circumstanced as India is, and where internal improvement is an object of such paramount and transcending importance, a financial system which leaves so little for local requirements cannot be regarded otherwise than as fundamentally wrong. Our Imperial expenditure is too high, and our army, according to the evidence of Lord Lansdowne and Sir Henry Brackenbury, is admittedly on a strength beyond our necessities and in accordance with the requirements of Imperial policy. The army costs, exclusive of exchange, 23·46 crores, which exceeds the cost of the army of the United Kingdom, by close on 6 crores, and which is equal to the whole army expenditure of the Russian Empire, and amounts to 32 per cent. of our revenues.

19,235. You have looked, I suppose, at the Army Report of 1879, was it not?—I cannot say that I have.

19,236. In that case, if I remember, the Report divided the Army into two portions, and those gentlemen who made the Report distinctly stated that for the defence of India and of its frontiers, reckoning the powers with whom India might have to deal, India ought, in its own self defence, to have a body of from 50,000 to 60,000 men movable and available for that purpose, apart from what I may call the garrison of order. That proportion, I think, has been more or less kept up, and as far as they went I do not think they put it down so strongly as you put it down here, that this was not required for Indian purposes?—Our contention is, and it is supported by these high authorities whom I quote, that we have an Army in excess of what would be required for purposes of internal peace, and, that being so, it being required for Imperial purposes, there ought to be an adjustment of charges between the Imperial Exchequer and our own Exchequer.

19,237. Your contention, therefore, is that it is nothing to you India being overrun by a foreign power?—It is a matter of the greatest possible importance.

19,238. That is the point of this Committee's Report, as I read it?—And it is because it is a matter of the greatest possible importance that we say that there should be this adjustment of charges. If it was nothing to us we should say that England should pay the whole.

19,239. Your contention would then be that you would not require one man to protect you against an invasion, the position of this Committee's Report being that such and such a force, say, 50,000 or 60,000, was necessary in order to provide for the defence of India against external enemies. I put it to you that the inhabitants of India are deeply interested in it; it is not primarily an Imperial question; it is first of all an Indian question; every inhabitant of a country is primarily interested in being free from the risk of being overrun and annexed by his neighbour, and you can hardly say that it is the concern of another country, even though the Government of that other country may be responsible for the machinery of defence?—So far as the purposes of the maintenance of internal peace are concerned, India ought to pay for everything, but over and above that, whatever army was required for Imperial purposes for keeping off external aggression, against a common enemy, the enemy of England as well as of India, I think there ought to be an apportionment of charges. That is the point I venture to submit for your consideration.

19,240. You give a table there in which you compare the proportions?—Yes.

19,241. Perhaps you will read it?—Russia, 115,000,000.

19,242. That is revenue?—Yes.

	Revenue Army Expenditure.		Ratio of Army Expenditure to Revenue.
	In Million Sterling.		Per Cent.
Russia	115	23·9	21
United Kingdom	91·8	17·8	19
France	138	25·9	19
Germany	185	24	13
Italy	72·4	9·4	13

19,243. It is rather important that we should be clear that those figures have been carefully worked out. I will take one or two of them and test them. Would you tell me how you arrive at the 24 millions of Army expenditure for Germany?—I took that figure from the "Statesman's Year Book of Facts," and the Revenue also, and I took the Army Expenditure which is given there, and I draw a percentage.

19,244. Very odd; from that very same book I arrived at quite a different figure. The Army Ex-

penditure for 1895-96 and 1896-97 is put down at 27 millions sterling?—I took 1895-96.

19,245. The figures do not vary much, indeed excepting only in this, that these figures for 1895-96 and 1896-97 are estimates, and if you look back at the actual accounts you will find that the expenditure was invariably higher. But I am content to take the latest year. For 1896-97 the Expenditure I make out to be not 24,000,000 but 27,000,000. Further than that, did you convince yourself that that 27,000,000 included all the expenditure?—I went upon that assumption.

19,246. If you had looked a little bit further, you would have found that there is two-and-a-half millions of Army expenditure which is kept quite separate, namely, the military pensions, so that in reality upon those very figures you get not 24,000,000 but 30,000,000?—I will look over that once again.

19,247. Then there is another point, which is most important in this case. If we take these figures as a comparison of the expenditure in the different countries, we get on very dangerous ground. Unless really one had made a study of the accounts one is very apt to omit certain portions. Foreign countries invariably keep their non-effective charge quite apart from the Army estimates. You have applied the same method of calculation to France, have you not?—Yes.

19,248. For this same year the French Army expenditure is very close upon 28,000,000*l.* sterling, in addition to which there comes a large charge for pensions, which, I think, carries it up to considerably over 30,000,000*l.*?—Oh.

19,249. Those are figures which you can look over for yourself. Perhaps I might suggest that in order to follow me in the matter there are two books which are very easily referred to; one the "Statesman's Year Book," and the other the "Almanac de Gotha," they supplement one another?—I will look over the figures.

19,250. And also look over the figures of the revenue of Germany; I should find it extremely difficult to make the revenue of Germany higher, as the outside than 120,000,000*l.*, instead of the 185,000,000*l.* in your table; but I have not taken all the smaller States?—I think my figures include those.

19,251. Your figures, to be worth anything, must include the small States?—Yes.

19,252. I would remind you about one thing; in the "Statesmen's Year Book" you must look carefully to one point, otherwise you count revenue twice over; there is the matricular contribution made by the different States, which appear in the revenue of the different States, and also in the revenue of the German Empire?—Yes.

(*Chairman.*) And that adds over 20,000,000*l.* to the revenue; those are points which, before we arrive at those percentages, require very careful consideration.

19,253. (*Sir Ralph Knox.*) Is it not also the case that the military forces of India are paid?—Yes.

19,254. They are not a conscribed force, which is practically an unpaid force?—But we are prepared to be volunteers if you will allow us.

19,255. That is the case as regards the cost of the Army?—If you had a reserve of Indians unpaid, I am perfectly certain you would not need all that expenditure.

(*Mr. Caine.*) I might point out that, taking into account the figures which you have amended, taking the extreme figures, it does not touch the witness's argument; it does touch the figures upon which the argument is based, but it still leaves India with the highest percentage of all, so that it would continue the argument still.

19,256. (*Chairman.*) Really my object in putting the question was this: I did not ask the witness to accept my figures, but to look again at them with the view of verifying them?—This book, the "Almanac de Gotha," I had not got, and I did not consult it. I went upon the "Statesman's Year Book."

19,257. If you look through them, you will no doubt be willing to modify your figures?—I am much obliged.

19,258. (*Sir Ralph Knox.*) You think that the native forces in India could be obtained without paying them.

by some method of conscription?—To some extent; not entirely.

(*Mr. Caine.*) Could Sir Ralph Knox obtain for us some accurate statement of these figures from the War Office without much trouble; we should have some more authority then.

(*Sir Ralph Knox.*) I am not an authority on expenditure in foreign countries.

(*Mr. Caine.*) But you have figures, no doubt.

19,259. (*Sir Ralph Knox.*) I will see if something can be done?—The next point that arrests attention in connexion with these decentralisation measures is that while our national revenues are increasing, though largely through additional taxation, the Provincial Governments hardly get their fair share of the increase, and with the necessary result that the internal progress of the country is seriously retarded, as shown in the following table:—

Years.	Imperial Share.	Provincial.	Total of Imperial and Provincial.
	In crores or Rs. millions.		
1882-83	40·37	16,534	56·70
1895-96	51·94	20,805	72·74

Thus:—

Increase during 14 years:—

Imperial share of general revenues	Crores.
Provincial	Crores.
	11·27
	4·472
	15·70

From the foregoing table it will be seen that while our revenues, exclusive of railway receipts and local rates, have increased by 15·7 crores during the past 14 years; the provincial share of the increase is even less than 5 crores, barely 4½ crores; over 11 crores going into the coffers of the Central Government.

19,260. (*Chairman.*) I see that you do not include on this occasion the four millions of local revenue which you included on the former occasion, which made the provincial and local up to 24 crores. No doubt you are right in so doing, but you put in that four millions in the former case?—I include only the provincial here.

19,261. And you omit, advisedly, that four?—Yes.

19,262. (*Sir James Peile.*) The Imperial Government does not deal with the local revenue?—Quite so. The result is, that while the Imperial Government has been able to add largely to its general expenditure, especially on military account, even in excess of the country's requirements, the provincial administrations have had to be content during the past 14 years with but restricted increases, even under the most useful and necessary heads of charge. It will be seen from the following table that while military expenditure, which has increased by over six crores from 1882-83 to 1895-96, the expenditure on some of the most important departments intimately bearing upon the improvement of the people, increased only by three crores.

IMPERIAL EXPENDITURE.

	1882-83.	1895-96	Increase.
Army expenditure	Crores. 17·100	Crores. 23·460	Crores. 6·36

PROVINCIAL EXPENDITURE.

	1882-83.	1895-96.	Increase.
Law and justice	Crores. 3·255	Crores. 4·047	Crores. ·792
Police	2·642	4·040	1·398
Education	1·145	1·536	·391
Medical relief	·692	1·030	·338
Total	7·734	10·653	2·919

19,263. (*Chairman.*) Do you observe that the percentage of increase is, curiously enough, almost exactly the same in both cases?—Possibly, it is the sum that differs.

19,264. For the Imperial expenditure the increase is 37 per cent. on Army expenditure, and, the increase in provincial expenditure is exactly the same, 37 per cent. ?—Yes.

19,265. But you will observe, for whatever it is worth, that the percentage of the ratio has been maintained?—Yes. The main principle guiding the revision of the provincial contracts are, as stated by Sir A. Colvin in his Financial Statement, 1887:—“(1.) That the amount of the funds assigned to provincial governments need not exceed, or equal, the amount of the expenditure assigned at the time when the contracts were made; provincial governments being expected to provide by their own resources the difference between the assigned revenue and expenditure. (2.) That the growth of provincial expenditure during the term of a contract must be met from growth of provincial revenue; except in cases where considerable expenditure is incurred by local governments to meet the wishes of the Government of India, and to carry into execution projects which are pressed upon it by that Government. (3.) That the Imperial Government reserves its claim at the expiry of a term of contract, to such share as the circumstances of the time may make necessary in the increase of revenues which have accrued to the province during the term of the contract, but which were reserved to the provincial government during such term. (4.) That the power of enforcing reduction, on the occasion of a new contract, of assignments of revenue made at the previous contract is a condition implied in the system of provincial contracts, and has been uniformly acted on.” Revisions conducted upon these lines necessarily introduce an element of uncertainty into provincial finance which must interfere with the interests of domestic progress; and it is to be borne in mind that “financial certainty” was one of the aims which the scheme of Lord Mayo had in view. Nor does it appear that Lord Mayo’s scheme contemplates periodical revisions of the contracts. When the Imperial and Provincial Governments both fairly start together, each with sufficiently elastic revenues, it is only right that for all future increase of resources to meet expanding wants, they should rely, except under circumstances of abnormal pressure, on the development of their own respective sources of income. Nothing but harm could result from a periodically recurring attempt, on the part of the Imperial Government in normal conditions to revise its financial relations with the dependent governments, and resume for its own purposes in the whole or in part any increase of revenue which might have accrued to them. When each has to rely on its own resources, there is the strongest motive to economy and careful management all round.

19,266. I take that to be the point upon which you lay your greatest stress?—Yes.

19,267. That if each province had to rely upon its own resources it is most likely to lay out its money to the best advantage?—Precisely.

19,268. But I also understand your view to be that in order to carry out that arrangement you will allow the Imperial Central Government and the provincial governments to take an equal share of the increase?—Precisely.

19,269. But you modify that, if I clearly understand your view, in the case of what has been called “ordinary emergencies;” if the Central Government finds it necessary to spend more than that share, you would still leave it open to the Central Government to draw upon the provincial governments — am I right — rather than increase taxation?—That is to say, the Central Government would have the first claim upon the provincial funds. The financial difficulties of the Indian Government are urged in justification of the present arrangement. They are difficulties which no responsible financial critic could ignore. But these difficulties are either temporary or permanent. If temporary, they can be met by contributions from the Provincial Governments; if permanent, they can be provided for by permanent adjustments which would take note of such difficulties. The five years’ term does not

permit of any large schemes of permanent improvement being projected or taken in hand, and an uncertainty and a sense of insecurity hang over every effort of the kind; and both Sir Auckland Colvin and Sir David Barbour are in favour of longer terms being allowed for these settlements.

19,270. I take it that you would have no revisions; it would be a standing arrangement that one half of the increase of revenue would go to the Central Government and one half to the provincial?—Of the increase. But I suggest later on that if for any reasons with which I am unacquainted it should be found impossible to give effect to this proposal—I do not know what those reasons may be, they may be administrative reasons with which I am unacquainted—then I would raise the term of the contract from five to ten years. I will go on with my suggestions later on. What is still worse, each time the contracts are revised, a reduced scale of expenditure is adopted on which to base quinquennial assignments and only moderate increases above the scale are permitted. Thus, every fifth year the provincial resources are cut down and provincial progress is sensibly thrown back. The original scheme of the Mayo Government started with a considerable reduction of grants for the services transferred (cut down almost to the level of 1863-64) and for six years afterwards very little increase of expenditure on the provincial account occurred. Next, in 1877-78, this almost stationary level of charges (during 1871-76) was taken, with further reductions as a basis on which to regulate assignments for the following quinquennium, room being allowed only for restricted growth; the revision of 1882 was an exception, when no curtailment was effected of provincial income. But the readjustments of 1887, 1891, and now of 1897, have all gone on the old principle, starting with reductions.

19,271. One would gather it to be your opinion that the Provincial Government, since the introduction of decentralisation, have not been quite fairly treated at the close of each quinquennial year?—Precisely.

19,272. Have you got any figures to show us what was the amount of the provincial revenue as originally given over, and what it is now. You were quoting figures of the increase of the Army and the increase of the provincial expenditure. I pointed out to you that the ratio is the same, and I want to draw your attention to the point, so that you may show us if you have the figures at hand, whether the ratio has been maintained, and whether we will say your own government—the Bengal Government—at the present moment is enjoying a considerably increased revenue compared with that which was originally handed over to it. And, further, I should like to know the sum that has been taken from the Bengal Government by the Imperial Government, omitting those amounts which have been taken for the moment and repaid last year?—Some have not been repaid.

19,273. Only taking those that have been repaid, can you show that the Imperial Government has taken over the whole period much more than what you think ought to be its share?—I can give some figures to show that at each quinquennium the expenditure increases up to the time of the expiry of the quinquennium, and then it suddenly falls, and then it increases again, and then it again falls. That is to say, at the commencement of the quinquennium the expenditure goes down, towards the end it rises, and this process is repeated.

19,274. Is not this rather a fault of the quinquennial system which you condemn, namely, that the provincial government begins with an estimate of the revenue; in the first year of the quinquennium the revenue rises, and during that quinquennium the provincial government gets the full benefit of that increase, consequently it is tempted into increased expenditure, and in the last year of the quinquennium its expenditure will probably be in excess of what it was in the first year, in fact, the Provincial Government may have gone on spending up to the hilt of its increase unmindful of the fact that at the end of the quinquennium it will have a settling with the Imperial Government, which will want its share in the increase up to this time enjoyed by the Provincial Government?—The fact of the matter is that it leads to a dissipation of the revenue of the Provincial Government; there is

always a temptation to spend as much as possible towards the end of the quinquennial period in order that the Imperial Government should not annex anything. Therefore, if we had a fixed system instead of periodical revisions, the effect would be to prevent the dissipation and waste which takes place now.

19,275. I quite understand that in the revision the provincial government, having spent up to the full sum that it was receiving in the last year of the quinquennium is naturally irritated that the Imperial Government should ask for a share of its increase in the following year, since it has to cut down its expenditure in consequence. Your principle seems to me a very reasonable one, namely, the giving to the Imperial Government and to the provincial government half-and-half; but do you think that if during the time that the decentralisation policy has been in force, that rule had also been in force, the provincial government would at the present moment be getting much more than it is now getting?—I could not give the figures, but I think that they would be getting much more, because they would be getting 50 per cent. of the increase, and the increase has been very considerable.

19,276. But at the end of the quinquennium the Imperial Government does not take the whole of the increase, does it?—No, it does not take the whole of it.

19,277. It shares it?—It shares it.

19,278. Do you think you would find if you looked at the figures that under the somewhat clumsy quinquennial arrangement of which you have very clearly shown us the inconvenience the Provincial Government has got much less than it would have got if your suggestion was adopted?—That is certainly my impression; but if your Lordship wishes I will look into the figures.

19,279. I wish you would?—That view did not strike me, or I would have looked up the figures. There is yet a further liability imposed upon the provincial governments which is, however, a common incident of the system. In cases of abnormal pressure, such as war, the Central Government has the power to demand special contributions from the provinces. But the reservation goes much further, and contemplates special contributions even in cases of ordinary emergency. In the Mayo scheme the reservation was explicitly made of power to modify the restriction granted to provincial governments in the event, or some fiscal misfortune, such as a heavy loss in the "opium revenue or national disaster, such as war or severe famine." In 1881-82, Lord Ripon's Government repeated the reservation and in much more explicit terms and declared "*That the Imperial Government will make no demand on them (i.e., provincial governments), except in the case of disaster so abnormal as to exhaust the Imperial reserves and resources and necessitate a suspension of the entire machinery of public improvement throughout the Empire.*" The reservation so made was one to which no exception could be taken. The Secretary of State, however, considered such qualified reservation inexpedient, and suggested that in all cases of emergency, the provincial governments should be liable to be called upon to contribute towards meeting the necessities of the Empire. In 1886 the India Office repeated the suggestion. The reservation as it is now in force is in the sense of this suggestion of the Secretary of State, and largely in modification of the declarations of Lord Ripon's Government in this regard. Accordingly, on three distinct occasions since then, such contributions have been levied (1886-87, 1890-91, 1894-95), but they have been levied in view of ordinary deficits and under circumstances, which did not amount to any such "abnormal disaster" as was contemplated in Lord Ripon's resolutions.

19,280. How do you show that those were not as much as Lord Ripon gave?—They do not come under his reservation; they were years of deficit.

19,281. You say that Lord Ripon excluded abnormal disaster?—Lord Ripon's reservation was that when the revenues and reserves were so exhausted as to suspend entirely the machinery of public improvement—that went much further.

19,282. You do not consider that a deficit of income below expenditure came within that reservation?—No, I do not think so. The liability of the provincial governments to give special assistance in cases of

emergency when so interpreted and defined, goes beyond what is right and necessary, and furnishes to the Central Government a financial reserve to which, rather than enforce economy and avoid a policy of adventure, it could securely resort in case even of ordinary embarrassments. Such is our existing system of provincial finance. Its main features may be thus summarized:—(1) The proportion of National revenues allotted to provincial uses is too small and utterly inadequate for local requirements. (2) While the revenues of the country are expanding, the provincial governments do not get an adequate share of such increase for purposes of local improvement. (3) The provincial assignments, already so meagre, are further liable to curtailments on revision in favour of the Imperial revenues every five years. Financially these settlements have all the evil effects of short-term settlements, taking away all certainty and stability from provincial administration, and seriously interfering with the even progress of provincial improvements. (4) The provincial governments are besides liable to make special contributions, even during the currency of these short-term contracts, and that too, in cases of ordinary emergency, a feature of the present arrangements which imports a further element of uncertainty into provincial finance. The theory underlying the whole system has thus been laid down by Sir James Westland, from his place in the Supreme Legislative Council, in connexion with the recent Budget debate. "The revenues of India," said he, "are the revenues of the Government of India—its constitutional possession. The Government of India is a body created by Act of Parliament, and if reference is made to that Act of Parliament, it will be seen that the revenues of India are the revenues of the Government of India, and of that body alone." It is not for me to enter into the legal or constitutional aspect of this question. But the obvious inference which these remarks suggest is that the provincial governments representing the people who contribute the taxes, which make up the revenue have no part or share in the revenues of the country, which are at the absolute disposal of the Supreme Government, and that the Supreme Government may dole out these revenues in any way it pleases. No wonder that the working of the system has been so arbitrary and has often led to considerable friction between the Supreme and local governments.

12,283. Can you exactly say that it is arbitrary that this proportion of increase has been maintained?—That is what Sir Rivers Thompson says. I think I quote him later on. In Bengal the working of the provincial system has given rise to much dissatisfaction, and every Lieutenant-governor since the days of Sir Rivers Thompson has had occasion to protest against it. The contract of 1877 was very favourable to Bengal as it made over to the local government three principal resources of improvable revenue, viz., excise, stamps, and registration, subject to the payment of certain progressive sums every year to the Imperial Exchequer. These three heads of improvable revenue made over to the management of the provincial government with an income of 165½ lakhs in 1876-77 showed an income of not less than 213 lakhs in 1881-82. The whole of the increase belonged to the Provincial Government, subject to the reservation to which I have referred. The result was that the Provincial Government, besides making a special contribution to the Imperial revenue of 20 lakhs in time of need increased the staff of executive and judicial officers, provided increased facilities for the administration of justice, increased the grant on education, built school, colleges, and hospitals, &c. (*vide* page 22 of the Honourable Mr. Risley's speech in the Bengal Council, on the 1st April, 1893). Along with these terms, provincial responsibility in respect of public works was enforced, and local governments were made responsible for great public works constructed for the benefit of the provinces. Bengal was the only province, however, which was then considered able to bear the whole of its own burden (page 16, Mr. Risley's Budget speech of 1st April, 1893). The public works cess was accordingly levied, now yielding about 40 lakhs of rupees a year, for the maintenance and the payment of the cost and interest charges of certain public works, such as the Orissa Canal, the Midnapur Canal, &c. Then came the contract of 1882, which withdrew from the Bengal Government its full share in excise, stamps, and registration. Favourable as this contract was to the rest of India, it was disastrous to Bengal. Sir Rivers Thompson, who was Lieutenant-Governor of Bengal when the provincial contract for 1882-87 was in

force thus observed in his review of his five years administration :—“ Sir Ashley Eden enjoyed the advantage of a provincial financial contract with the Supreme Government which secured to the province under his control the entire benefit accruing from improved administration, and which, in the event, yielded financial results surpassing all anticipation. During the last five years the financial history of Bengal has been altogether different. The contract of 1877 was succeeded by a settlement which left little scope for the development of the provincial revenues, and which speedily necessitated a serious contraction in the scale of provincial expenditure. It has often been difficult to provide adequately for the ordinary requirements of the public service, and it has been necessary rather to seek for opportunities of effecting economies, than of introducing administrative reforms.” Those were the words of Sir Rivers Thompson. The result of the provincial contract of 1882-87 was that some important measures which Sir Rivers Thompson intended could not be carried out, owing to want of means. “ In September 1884, before Sir Rivers Thompson could fully realize the financial results of the provincial contract for 1882-87, the Government of Bengal, in reporting to the Government of India upon the proposal of the Education Commission, admitted its responsibility for increased expenditure on education to the amount, finally of 14 lakhs a year (over and above the amount of 34 lakhs, which it was then annually expending) if the recommendation of the Commission were to be carried out to anything like completeness. Of the total increase, 10 lakhs were to be devoted to the direct improvement of primary schools. After a review of the ways and means at his disposal, the Lieutenant-Governor estimated that at the then existing rate of development of the revenue he would be able to work up to the total additional grant required in nine years by a continuous enhancement of the educational allotment to the amount, approximately, of Rs. 150,000 a year. The progress of events quickly falsified his anticipations. The Excise Commission was then sitting, and after it had finished its labours, several of its recommendations were partially adopted; the result was that the average annual yield of the excise revenue from 1883-88, was about 4 lakhs less than the revenue yield of 1883-84. The result was that the allotment for education in the sanctioned estimates for 1885-86 instead of being increased by one and a half lakhs was reduced by a lakh.”

19,284. The upshot of the quotation is to show that the Lieutenant-Governor wished to have a perfectly free hand in spending as much as he pleased, upon, no doubt, very useful services, without much reference to what other people wanted?—This was a recommendation made by the Education Commission that the expenditure upon education was to be increased, and he thought that under the provincial contract in 1882, as compared with what it was in 1877, he would be in a position to make that expenditure, but he was precluded from doing so. This is not what the Lieutenant-Governor himself said; the quotation is from Sir Alfred Croft's, and remarks he might be considered as a perfectly independent witness

19,285. I am talking rather of the quotation which you have been giving us. I see that you sum up what the Lieutenant-Governor of Bengal did—increased the grant under Education, and increased the staff of the executive?—That was in 1877, when the contract of 1877 was in force. But then came the contract of 1882, which was disastrous to us, and these were the results, namely, that we wanted to increase the grant on education, and could not.

19,286. That is to say, he had eaten his cake, and wanted to have it. I presume the reduction on Excise, of which you speak as diminishing his means, was a reduction of taxation which was thought beneficial to the country?—A very proper reduction, for the reason they had increased the number of the out-stalls, which had demoralised and ruined our rural population, and the reduction took place in consequence of an agitation, in which Mr. Cane took part. Let us take another case. It is a notorious fact that in Bengal the salaries of ministerial servants attached to the Revenue and Magisterial courts are very low, and it has long been felt that their

salaries should be raised, with a view to their efficiency. Sir Rivers Thompson appointed a Salaries Commission in 1885, consisting of some high officers of Government. In appointing the Commission the Lieutenant-Governor observed:—"The rise in prices and the cost of living, which was anticipated by Mr. Strachey in 1865, has continued at a constantly accelerating speed, and for some time past signs have been apparent that the effect of the reforms introduced in 1868, have been exhausted, and that a further advance must be made if the ministerial service is to be maintained in a condition of efficiency." The Commission, of which the Hon. Mr. Grimley, now one of the members of the Board of Revenue, was a member, found that the purchasing power of the rupee had gone down by 75 per cent. since 1868, and they recommended that the salaries of ministerial officers ought to be increased, not only in the interests of the officers concerned, but also in the interests of the services and the public at large. But the recommendations of the Commission were not eventually given effect to. They have not yet been carried out. This year a sum of three and a half lakhs of rupees were provided for in the local budget, with a view to give them an increment; but the Government of India would not sanction the amount.

19,287. I think what you say about the rise in price is in accordance, at all events, with figures given by the Government in India?—Those are the figures of the Government.

19,288. But you are aware that it has been represented to us in this Commission that there has been a considerable rise?—In the towns there has been a rise, but I do not think that there has been any considerable rise in the interior. In the towns, certainly, there has been a rise.

12,289. (*Sir Andrew Scoble*) Do they not give compensation for dearness of provisions in times of scarcity?—That is quite a different matter.

12,290. If they have not got a permanent increase in salaries, yet in this year of famine they have got compensation for the dearness of provisions?—That is so, if the price of rice is less than 12 seers to the rupee.

19,291. Then they get compensation?—Yes, but this is not the compensation to which I refer. I refer to increase of salaries.

19,292. This year is a year of famine?—Yes.

19,293. All these ministerial servants, if they did not get the increase in their pay which was contemplated, nevertheless, in consequence of the rise in prices, got the regular rate of compensation?—I want to make a qualification; it is only those who get a salary of 12 rupees a month and under who get this compensation. All that class of ministerial servants who draw salaries from 12 rupees to 100 rupees a month and upwards do not get this compensation; it is only those who get salaries of 12 rupees and under who are entitled to compensation. I was the first to bring this matter before the Government by questions in Council, and it was owing to my appeals that this was done. Sir Charles Elliott, late Lieutenant-Governor of Bengal, similarly complained of the manner in which the provincial contracts were worked in his time (and he was familiar with two provincial contracts, the fourth and the fifth). Thus he wrote in a resolution dated the 5th November 1895 in taking a retrospect of the provincial revenues during his administration of five years:—"On a review of the entire period, it will be seen, that besides the extraordinary benevolence of 10 lakhs levied at the commencement of the period, Bengal has contributed within the last five years, no less than Rs. 67,46,000, to meet the necessities of the Empire, over and above the heads of receipts ordinarily classed as Imperial, and in addition to this there has been a steady growth in the receipts divided in varying proportions between Imperial and provincial revenues, which while it swelled the provincial revenues in the manner described above yielded to the Supreme Government, an increase of nearly 51 lakhs."

15,294. (*Chairman*.) What is the meaning of that statement that 67 lacs have been given to meet the necessities of the Empire—are those contributions under "ordinary emergencies"?—Under ordinary emergencies.

19,295. Has not the larger part of that been repaid?—A considerable portion of that has been repaid.

19,296. Therefore that is a damage which the Province of Bengal suffers in common with all the rest of the Indian Empire in years of pressure and deficit; yet, at the same time, it may not have to suffer very much in the long run, because it will only take the form of postponed expenditure?—Yes, that is so.

19,297. Therefore too much stress we must not lay upon that point. They have got it back, even though it was after an interval of two or three years?—They did not get it all back. 10 or 12 lakhs they have not yet got back. Sir Alexander Mackenzie, the present Lieutenant-Governor of Bengal, thus spoke from his place in the Supreme Legislative Council on the occasion of the debate on the Budget in the year 1896:—"I must say "I deprecate the way in which these quinquennial "revisions have too frequently carried out. The "provincial sheep is summarily thrown on the back, "close clipped, and shorn of its wool, and turned out "to shiver till the fleece grows again. The normal "history of a provincial contract is this, two years of "screwing and saving, and postponement of works; "two years of resumed energy on a normal scale, and "one year of dissipation of balances in the fear that "if not spent, they will be annexed by the Supreme "Government, directly or indirectly, at the time of "revision. Now, all this is wrong, not to say demoralising. I say that the Supreme Government "ought not to shear too closely each quinquennium." Sir Alexander Mackenzie was equally emphatic in his condemnation of the manner in which the provincial contracts have recently been concluded with the provincial governments. He thus observed.— "I must, however, be allowed to throw out one "general suggestion with reference to the policy "of provincial contracts as at present worked. I do "not entirely accept Mr. Sayam's views of these contracts, but there is much force in some of his trenchant criticism. We have, as he has pointed "out, the authority of Sir David Barbour in his "evidence before Lord Welby's Commission for the "statement that the present practice is not in accordance with the original intention. He says: I must "say that when the provincial system was started, I "do not really think it was intended that the provincial government should have a portion of their "resources taken away periodically. If you take all "the surplus, you, to a certain extent, remove all "the inducements to the Provincial Governments to "economics. It is a weakness; the periodical revision may be necessary under present conditions, but "it diminishes the value of the system."

19,298. But I do not understand that the Central Government has ever taken all the surplus, has it. I quite understand that you make a quotation?—It is a quotation.

19,299. I am asking you as a matter of fact?—No, they have not.

19,300. (*Mr. Courtney*) Does that mean all the growth?—They have not taken all the growth, half-and-half they generally take. In the case of Bengal, they took away half the Excise, Stamps, and Registration. Sir Alexander Mackenzie goes on to observe—"Take the province of Bengal, with a population "of between 70 and 80 millions of people; well, that "province is big enough to have an independent "financial system." He goes on to explain that owing to financial exigencies, the Government of India takes at revision, not only its own share of the increase in the divided revenues, but also a portion of the increase that has accrued to the provincial government. "I do "not know that I agree with Sir David Barbour when "he says he 'would rather see the Central Government "embarrassed " than the provincial governments "starved,' but he is certainly dissatisfied with the "existing system."

19,301. (*Chairman*) Is not the statement of Sir David Barbour what everybody would like; everybody would like an independent financial system without having to think of a Central Government, would they not?—Certainly.

19,302. That is incompatible with any kind of orderly finance, is it not, to have a number of people spending in the provinces how they please, without any regard to the Central Government's finance, you, yourself, have put that most clearly before us?—That is my view; it cannot be done. Sir Alexander Mackenzie thus proceeds, "He is evidently dissatisfied with the "existing system. Again, my predecessor, Sir Charles

" Elliott, speaking with all the authority of the Pre-
 " sident of the Financial Committee of 1885-86, and an
 " ex-Member of the Supreme Council when the Bengal
 " Contract of 1892-97 was under consideration, strongly
 " urged a modification of the present system ' so that the
 " ' contract should be a continuing one not subject to
 " ' sudden ruptures and renewals, but that its leading
 " ' principal should be that all the revenues of the
 " ' province should be provincial, the Government of
 " ' India receiving a certain percentage on the entire
 " ' sum, which should be the contribution of the pro-
 " ' vince to Imperial Government and defence.' He
 " also represented ' the unreasonableness and the hard-
 " ship of requiring every province to give up a con-
 " stantly increasing share of its revenues whenever
 " a new contract is framed.' I am not now concerned
 " with defending or advocating Sir Charles Elliott's
 " particular proposals. I take, perhaps, a stronger view
 " than he did of the claims and responsibilities of the
 " Imperial Government. But I quote him as being, with
 " all his unique experience, profoundly dissatisfied with
 " the present system. Sir J. Westland will probably
 " tell us, as he told us last year, and has quite recently
 " told me that provincial governments do not understand
 " the system or its *raison d'etre*. My Lord, I think we
 " do understand it; at any rate we have learnt by suffer-
 " ing what we have to accept as the authoritative
 " interpretation of it. But what I venture to urge
 " is this, that the Government of India should, with
 " the consent of the Secretary of State, refer the
 " whole question to a Conference at which the pro-
 " vincial governments should be adequately repre-
 " sented, and endeavour to lay down the lines of a
 " system which would be satisfactory to the provincial
 " governments while meeting fairly the undoubted
 " exigencies of Imperial finance. No system can
 " be sound which with all its admitted advantages
 " of diminishing Imperial interference in petty de-
 " tails, leads to so much quinquennial bickering and
 " heart burning and involves so much uncertainty
 " and haphazard in provincial administration. My
 " Lord, I wish to do nothing to diminish the power
 " or prestige of the Imperial Government. My
 " instincts and experience are all in favour of a
 " strong central administration. But I do not think
 " that the present system is favourable to strong
 " administration. It places the Imperial Government
 " in what seems to me a false position, a position of
 " apparent antagonism to its own local agents." The
 " Honorable Mr. Stevens, Senior Member of the Board
 " of Revenue, and if I may be permitted to add, one of
 " the most respected members of the Indian Civil
 " Service, thus referred, in the course of the recent
 " debate in the Supreme Council, to the many urgent
 " reforms, including the increase of the salaries of
 " the ministerial servants which, in consequence of
 " the recent provincial contract, had to be post-
 " poned.—" But it will not have escaped notice that,
 " during the first three years of the quinquennial
 " period, the balances were but little in excess of the
 " amount which is taken to represent the minimum
 " compatible with the convenience of the administra-
 " tion, and there could be no greater error than to
 " suppose that there are not highly important improve-
 " ments, necessary to good government, for which
 " money is urgently needed. I do not propose to
 " enumerate these—still less to support their claims
 " to consideration—by elaborate arguments which
 " could have no immediate practical effect. I will
 " mention but one or two. In the first rank I would
 " place the reconstitution of the General Hospital
 " (that is a hospital for Europeans), and the improve-
 " ment, to something approaching an European
 " standard, of the other large hospitals in Calcutta.
 " The condition of these most important institutions is
 " notoriously very unsatisfactory; yet they are not of
 " mere provincial utility, as regards the patients who
 " resort to them, or as regards their educational func-
 " tions; and it is not too much to say that, situated as
 " they are in the metropolis of India, and manned, as
 " they are, by officers selected for their efficiency by
 " a central authority, they ought to be models for
 " the Empire. That they should be thoroughly
 " adapted for their purpose demands, not merely a
 " preliminary outlay, but a persistent and recurrent
 " expenditure."

19,303. You are quoting Mr. Stevens, are you not?—
 Yes, my Lord.

19,304. But you have praised the administration of the municipality of Calcutta; is not the hospital of Calcutta rather a matter which should come under that administration?—The General Hospital is not under the control of the municipality of Calcutta.

19,305. Would you say that it ought to be placed under the control of the municipality of Calcutta?—The state of things is this: the hospitals are, for the most part, under the control of the Government, but there are one or two, to whose expenses the municipality of Calcutta contributes. Mr. Stevens goes on to observe: “The case of the ministerial officers has always seemed to me to be, in the main, very hard for them, and injurious to the interests of Government. Salaries were, for the most part, fixed long ago, but while these have remained practically constant, the expense of living has been gradually and steadily rising, so that the standard either of living or of honest service must have of necessity fallen. I do not attach much weight to the argument that when a post of even trifling value is vacant a host of applicants at once appears. For this there may be more than one reason; but the obligation remains on Government to pay its servants enough for them to live on with sufficient comfort in their several stations. In this direction, then, there is ample and urgent need of improvement; and here, too, the necessary expenditure is not spasmodic and occasional, but continuous. I am confident that the personal recollections of the Financial Member of his own experiences as a magistrate in Bengal will support me in my assertion that, considering the dangers, the responsibilities, the powers, and the temptations which are inseparable from police work, the officers of that department, especially those in the lowest grades, are most inadequately paid. Here, too, it is constant expenditure that is required. Another serious want is money for the assistance of local bodies for sanitary improvement, especially for the provision of drinking water. I listened with interest to the remarks of the Finance Minister on this subject, but he has failed to convince me. It does not follow that a grant in aid of the supply of drinking water in one province comes from the tax-payer of another. If aid is given in Bombay, there are taxpayers in Bombay. If aid is given in Bengal, there are taxpayers in Bengal, many more of them than in any other province. The commissionership of Patna alone contains nearly as many inhabitants as the whole Presidency of Bombay. The requirements of modern sanitation are growing more rapidly than the resources of these local authorities, and, if they are to be met at all, demand the assistance of the Government. Such assistance, spread over the whole area of this great province, calls again for increased and continuous expenditure.” Sir Anthony MacDonnell, Lieutenant-Governor of the North-Western Provinces, made a similar complaint last year from his place as President of the Legislative Council of the North-West Provinces. Thus, observed Mr. Risley, in his Budget speech in 1893, contrasting the system of decentralisation of finance in Bengal with similar systems in other countries: “In India, on the other hand, no attempt is made to set apart certain kinds of taxation as exclusively Imperial, and the division is effected by assigning arbitrary fractional shares to the provincial governments. Similarly, the amount of contributions levied from time to time by the Imperial Government is not regulated by any intelligible principle, but varies, like the medieval benevolences, according to the necessities of the case.” That these complaints on the part of high official authorities are not unfounded will appear from the following table, which, on my requisition, was supplied to me by the Bengal office.

The following table shows the results of the two contracts :—

	1897-98.		1892-93.	
	Imperial	Provincial	Imperial.	Provincial.
	(000's omitted.)			
Principal heads of Service.	12,79,17	3,72,41	13,10,21	3,03,43
Interest - -	16,24	3,09	15,46	1,62
Civil Departments -	—	39,33	—	41,05
Miscellaneous -	2,37	11,29	3,79	9,71
Railways - -	2,23,50	—	1,11,00	32,00
Irrigation - -	—	24,16	—	24,14
Civil Works - -	—	4,45	—	4,56
Total -	15,21,78	4,54,83	14,80,46	4,16,51
Gross Total -	19,76,61		18,96,97	
Percentage on Total	77	23	78	22

It will be seen from that table that the Government, by the contract of 1897-98, took 77 per cent. on the revision, and only gave us 23; on the contract of 1892-93 the Government took 78 per cent. and gave us only 22.

19,306. I have here a table for the whole of the provincial governments of India, which I will hand over to you to look at, with reference to those questions I put to you about what had really been the effect of the working of the system. I will only just give you these figures, and then I will hand it over to you. The average of the whole provincial net expenditure of the first quinquennium ending 1881-82 was 10,325,000 Rx., the next one, ending 1886-87, was 11,570,000 Rx., the next one, 1891-92, was 12,846,000 Rx., and the last one, 1896-97, 13,780,000 Rx., therefore you will see from those figures, upon which I should like to get your view when you have considered them that the provincial governments, where they got an average of 10,325,000 Rx. in the first period, get 13,700,000 Rx. in the last quinquennium, which was after an interval of 15 years. That is, they had an increase of 33 per cent., from 10,000,000 to 13,000,000. You were just mentioning the progress in Bengal?—We find that the general share is two-thirds to one-third; in Bengal it is three-fourths to one-fourth, and I think these figures bear out that view, that is, whereas in the other parts of the country the share of the Imperial Government is two thirds as against one-third to the provincial governments, in Bengal it is three-fourths to one-fourth.

19,307. I think in most States the authorities would think it a very great bargain if they could, at the end of 15 years, know that they would be getting 33 per cent more than they were getting at that time?—I look at the question from the point of view of domestic improvement. Domestic improvements cannot be adequately carried out in consequence of the manner in which the provincial contracts are being worked, and if we had more to spend we could certainly spend it for better purposes.

19,308. Is not that the wish of every person and of everybody throughout the world? What an immense deal we could do if our income were doubled?—I am sorry to say that the Imperial Government looks upon the matter exclusively from the Imperial point of view; the Provincial Governments look at the matter from the point of view of the benefit of the taxpayers with whom the provincial governments are brought into contact.

19,309. Can you say quite fairly that the Imperial Government only looks at it from the Imperial point of view?—Very largely, if not entirely.

19,310. Remember the Imperial Government has initiated this policy of decentralisation?—But your Lordship will understand with what object; in order that those branches of expenditure which are likely to increase may not increase; and what are those branches of expenditure? One of them is education.

19,311. Is that quite fair, because these figures, if they are correct, which I put before you, show that so far from there not being a margin provided, there is an

increased margin?—It is only 1,000,000 in each quinquennium.

19,312. Wait a moment, it is 1 in 10 or 10 per cent. Sometimes we hear of India as a poor country; if you could get every five years an increase of 10 per cent. I do not think that that characterises even a poor country, it is a very well-to-do country?—I do not know whether your Lordship has taken that view of the matter. For instance, when the first contract was entered into the expenditure was actually cut down to the level of the expenditure which had been incurred 10 years ago, 1863-64; the expenditure under those heads which were made over to the provincial governments came up to 6,000,000 in 1868, and in 1864 they came up to only 5,000,000; in 1871, when the contract was entered into, they were cut down to the tune of 5,000,000, and then, again, a further reduction was made to the extent of one-third of a million.

19,313. If these figures are correct, what you get is that in the third quinquennial period, you have an increased amount to the provincial governments equal to 33 per cent. upon the whole period?—Yes.

19,314. And what I call your attention to is that there has been such an increase, which it may be quite possible for you to show is utterly inadequate, but still there is that increase?—I do not dispute the fact of the increase; even in Bengal, in 1892-93, the provincial share was 4 crores 16 lakhs, it is now 4 crores 54 lakhs. I do not dispute the fact of the increase, but what I do contend for is that the increase has not been adequate to the wants of the province.

19,315. (*Mr Courtney*) What was the produce of the share when it was first assigned?—No share was assigned in the first instance, in 1871-72, certain heads of expenditure were made over—six in number—to the provincial governments, a certain sum of money was given over to the Provincial Governments to meet that expenditure. That was in 1871, and then, in 1877, certain heads of receipts for the first time were made over.

19,316. What was the amount of money handed over in 1871-72?—I could not tell you off hand.

19,317. (*Chairman*) You are going to look into that to see what was the amount?—Shall I look just now?

19,318. No?—I will look afterwards. From the foregoing table it will be seen that under the contracts of 1897-98 and 1892-93, more than three-fourths of the revenues of the province were absorbed by the Imperial Exchequer, and were devoted to Imperial purposes, and that less than one-fourth was only left for the most urgent needs of domestic improvement. The provincial share practically remains the same for 10 years, although Bengal is the most progressive of the Indian provinces. In consequence of the inadequacy of funds for provincial purposes, the interests of education and of the administration of justice have not received the measure of attention which they deserve. The sums provided for under the head of Education were for 1895-96, Rs. 26,07,890; for 1896-97, Rs. 26,75,000; for 1897-98, Rs. 27,46,000. I may here remark that the Budget estimate for 1896-97 provided an expenditure on education of Rs. 27,76,000, but the amount actually spent was nearly a lakh less, and the estimate for 1897-98, although in excess of the revised estimate for 1896-97, is nearly 30,000 rupees less than the Budget estimate for 1896-97. His honour, the Lieutenant-Governor, remarked in his Budget speech, from his place in the Bengal Legislative Council, on the 4th April 1896.—“I admit that Bengal could usefully spend a much larger sum upon education, and if our finances continue to prosper I hope to increase the grant considerably.” (Council Proceedings for 4th April 1896, page 184). Here we have what I take it as an admission, though undoubtedly a guarded admission, as to the inadequacy of the grant upon education, coming from the highest authority in the province. “Bengal could usefully spend a much larger sum” than what has been provided for in the year 1896-97, and yet the whole of the sum provided for that year was not spent. The Budget estimate for 1896-97 provided for Rs. 27,76,000; the revised estimates came up to Rs. 26,75,000, just a lakh of rupees less than the Budget estimates. The interests of education in Bengal have suffered in another way, owing to the strain upon provincial funds. Hitherto, a part of the cost of education in the interior used to be borne in some districts by the Road Cess Fund. Under recent orders of Government, the Road Cess Fund is to be devoted exclusively to the maintenance of communica-

tions, tanks, bridges, &c. The local schools have thus to be entirely maintained out of the proceeds of pounds and ferries and a practically fixed grant which the Government makes. The result has been that in some districts schools which had been in existence for a long time had to be closed. It is a complaint which the Indian public have more than once repeated, that, in consequence of the pressure upon provincial funds, roads and communications which used to be maintained out of provincial funds have been thrown as a charge upon local funds, and this source of revenue available for local purposes has thus been diverted from the maintenance of village tanks and roads to the maintenance of communications previously maintained from the provincial revenues. There can be no question but that the expenditure on education, per head of the population, is the lowest in India, as compared with other parts of Her Majesty's possessions, as will be seen from the following table:—

Name of Country.	Population.	State Expenditure on Education.	Expenditure per Head.
United Kingdom	39,134,116	£10,032,355	5s. 1½d.
Ceylon	3,001,466	Rs. 604,199	2s. 2½p.
India	221,172,962	Rs. 91,09,722	7½p.
Natal	46,788*	£40,680	17s. 4½d.
Cape Colony	1,527,224†	£176,190	2s. 3d.
Canada	4,333,230	\$8,008,967	\$1.6.
New South Wales	1,132,234	£783,810	13s.
Victoria	1,140,405	£665,394	11s. 8d.
Austria	23,707,906	14,821,621 florins.	6 of a florin.
France	38,343,192	192,936,340 francs.	5 francs.
Germany	51,758,264	69,505,000 marks.†	1'3 marks.
Russia	129,545,000	22,145,000 roubles.	17 of a rouble.

* Only white population.

† Including Kafirs, who are four-fifths of the population, on whose education, however, very little is spent.

‡ On elementary education only.

The expenditure under the Courts of Law in Bengal has been Rs. 88,26,340 for 1895-96, Rs. 88,90,000 (revised estimates for 1896-97, and Rs. 89,42,000 (Budget estimates) for 1897-98. There has been some increase, though part of it, no doubt, has been due to Exchange Compensation allowance. Yet there is nothing about which there have been such frequent complaints as the law's delays, owing to the inadequate number of civil judges dealing with petty civil cases. That the number of these munsifs, as we call them (civil judges of the first instance), is inadequate to the growing demands of litigation will appear from the following table, which was laid before the Bengal Legislative Council, in reply to a question put by me:—

Year.	2. Number of Munsifs.	3. Original Suits disposed of under ordinary Procedure.		4. Original Suits disposed of under Small Cause Court Procedure.		5. Total.	6. Average Number of Cases disposed of per Munsif.
		Con-tested.	Uncon-tested.	Con-tested.	Uncon-tested.		
1890	262	77,060	244,673	11,168	74,906	407,809	1,556
1891	275	76,815	252,339	12,660	91,075	432,889	1,574
1892	285	84,729	267,647	18,988	137,804	509,168	1,786
1893	289	82,170	263,210	21,610	151,835	523,825	1,812

The gist of the table is this, that the number of munsifs has increased from 262 to 289, whereas the number of cases have increased from 407,000 to 523,000. From the above table it will be seen that, while the number of cases increased by nearly 28 per cent., the number of munsifs increased by 10 per cent, and yet,

according to Mr. Justice Prinsep, there was a surplus of nearly 14 lakhs of rupees out of court fee stamps (page 123 "Gazette of India," March 27, 1897). In this connexion I would observe that the European Chamber of Commerce in Calcutta, a highly influential body, has recently memorialised the Government, with a view of raising the pay of the judges of the High Court. The remarks which I have made above, with regard to education and to law and justice, apply with greater or less force to all departments of civil administration. The lower grades of police in Bengal, and the ministerial officers, get virtually the pay which was fixed 30 or 60 years ago, though the price of food has increased 75 to 100 per cent. And administration is starved in a variety of ways, and all domestic improvements retarded, while at each quinquennial settlement the Imperial Government demands and obtains from the provincial government a larger share of the revenues of the country.

The proposals which I would venture to submit in connexion with the provincial contracts are these:— (1.) That Sir Charles Elliott's suggestion, which has been laid before the Commission by Mr. Gokhale, should, if possible, be adopted. It is a proposal which would avoid revision, afford fiscal certainty, place the local administrations in possession of adequate funds to carry on domestic improvements, and at the same time the provincial revenues would be available for Imperial purposes, which would be the first charge upon those revenues. (2) If, however, it should be found impracticable to accept this suggestion, for reasons with which I am unacquainted, I would say that the period of contract should be raised from five to ten years, that the terms of the contract on the occasion of each revision should be laid before the provincial councils for discussion before final submission to the Supreme Government, the Council being empowered to move amendments in connexion with the proposals submitted, and that if the Government of India should be unable to accept the terms to any serious extent (say within 50,000 rupees), the matter should be referred to the Secretary of State for final decision. As for allotments, they should be made with due regard for provincial needs and wants, and not with reference to past expenditure or past allotments.

19,319. That, I think, concludes what you wish to say to us on the subject of provincial contracts?—Yes.

19,320. You are going to proceed to give us your opinion on the growth of expenditure?—Yes. The question of the wider employment of the people of India in the public service of their own country, is more or less a financial problem. The expenditure has gone on increasing, especially in the military department; and Indian public opinion regards the growth of military expenditure as utterly beyond what the country can bear, and as seriously interfering with legitimate expenditure on the most necessary domestic improvements. The people of India who are capable of forming a judgment on the subject are at one with Sir H. Brackenbury in the opinion that the cost of the portion of the Indian Army in excess of what is necessary for maintaining the internal peace of the country should be met from the British Exchequer, and the expenses of the salaries of the European portion of the Army ought to be fairly apportioned between England and India. Until this is done, the resources of India will not be found equal for the purposes of good and progressive government, and no improvement is possible in the condition of the masses. By the wider employment of the people of India in the public service economy would be introduced, and an impetus imparted to the intellectual and moral elevation of the people. Ten years ago, the Public Service Commission, presided over by the late Sir Charles Aitchison, at that time Lieutenant-Governor of the Punjab, and consisting of some of the most distinguished officials and non-official representatives of the day, reported upon the question of public employment in India. The gist of their recommendations may be summarized as follows—That indigenous agency should be more largely employed in the public service, that the recruitment of the official staff in England should be curtailed, and advantage taken of qualified agency obtainable in India. In other words, the provincial service recruited in India should be the backbone of the administrative agency, subject European supervision and control. "Considerations of policy and economy alike require," observed the Commission in their Report, "that, so far as is consistent with the ends of good government, the recruitment of the official staff in England should be

"curtailed, and advantage taken of qualified agency obtainable in India." As a matter of fact, however, the higher appointments in almost all branches of the public service are held by Europeans, although more than 10 years has elapsed since the Commission have submitted their Report. The Public Service Commission found, in 1886, that out of 1,015 officers in the superior engineer establishment, so many as 810 were non-domiciled Europeans, 119 Europeans domiciled in India, including Eurasians, and only 86 were natives of India (page 122, Public Service Commission Report). The Commission observed, to use their own words, recruitment from Cooper's Hill College as being "at present excessive." We find, however, that at present there are 800 engineers of the superior establishment, of whom only 96 are Indians.

19,321. What is that Public Service Commission?—It was a Commission which was appointed in Lord Dufferin's time, with a view to inquiring into the question of public employment in India.

19,322. Who was the chairman?—Sir Charles Aitchison. The Public Service Commission recommended that one-third of the judgeships should be held by members of the provincial service; the total number of district and sessions judges is 126, out of these five are only Indians, according to Mr. Jacob's table. This cannot be correct; Mr. Jacob's table gave the minimum number, and, therefore, I ought to state that it is the minimum number. As a matter of fact, the number is more than five; for in Bengal alone we have seven district and sessions judgeships held by members of the statutory service.

19,323. Would you define what you mean by the provincial service and the statutory service?—The statutory service was the service which was created in Lord Lytton's time, and the object of the service was to give effect to the rules which had been framed under the statute of 1870, to give appointments hitherto reserved for the covenanted service to the natives of India. An examination was held, and certain gentlemen were appointed to the statutory service. The Public Service Committee recommended that the Statutory Service should be abolished, and that a Provincial Service should be organised. The Provincial Service is a kind of subordinate service in relation to the Covenanted Service, and the Public Service Commission recommended that certain appointments should be withdrawn from the covenanted service; they recommended that 108 appointments should be withdrawn, but the Government of India sanctioned about 93 or 94. But even in Bengal, which is considered to be the most advanced province in the matter of the employment of natives of India in the public service, the percentage recommended by the Public Service Commission has not been attained in regard to a class of appointments for which natives of India are considered to be especially qualified; for out of 30 district and session judgeships, only seven are held by members of the statutory service. It ought to be 10. According to the recommendation of the Public Service Commission, 10 of these appointments should be held by them. Further, according to the recommendations of the Public Service Commission, one membership of the Board of Revenue, one Commissionership of Division, one Under Secretaryship to Government, one Secretaryship to the Board of Revenue should be excluded from the list of reserved appointments, and should be held by members of the provincial service. With one exception, nowhere are these appointments held by members of the provincial service. In the North-West Provinces the Secretaryship to the Board of Revenue is held by a member of the provincial service. As members of the statutory and provincial services draw two-thirds of the salary attached to the reserved posts, when they hold such posts, there would be considerable saving by giving fuller effect to the recommendation of the Public Service Commission. On the Bengal establishment there are 267 civilians, including members of the statutory and provincial service, holding civil service appointments, of whom 24 are Indians, and 243 are Europeans. The monthly salaries, including allowances drawn by the Indians, come up to Rs. 30,000; those drawn by the Europeans come up to Rs. 4,00,000 in round numbers. In the same way in the Police Department, the higher appointments in Bengal are practically monopolised by Europeans, though the Public Service Commission distinctly recommended (page 120 of the Report) "that endeavours should be made to introduce a reasonable proportion of native officers, due regard being always had to the efficiency of the service." Including the

Calcutta Police, there are 108 of these appointments, from the post of superintendents and upwards. Of these, 101 appointments are held by Europeans, and seven only by natives of India. The monthly salaries, including allowances of the European employes, come up to 60,000 Rs. in round numbers; the monthly salaries of the native employes come up to Rs. 3,000 in round numbers. In this connexion I may mention that a competitive examination is held in Calcutta, and another in London, for recruitment to the higher offices in the police. From these examinations natives of India are excluded, although there is nothing to prevent their appearing at the open competitive examinations for the Indian Civil Service, provided, of course, they complied with the necessary terms and conditions.

19,324. Are they absolutely forbidden?—Absolutely excluded; and I asked a question in Council, and they said that those were the orders of the Government of India.

19,325. (*Sir James Peile.*) But these examinations are to obtain the number of Englishmen required for that service. When you invite tenders for one article, you do not expect to have another?—But why should natives of India be excluded from these appointments; it is contrary to the terms of the Queen's proclamation, and the promise of equality we received in regard to other appointments.

19,326. They cannot hold the appointments which Englishmen are holding, but they may hold other similar appointments; no order has been passed that they are not to be superintendents of police?—These are appointments relating to district and assistant superintendents of Police. Natives of India are permitted to be district and assistant superintendents, and I ask why should they be excluded from the examination for recruitment to these offices?

19,327. Because you are holding the examination to obtain that proportion of Englishmen whom you want; you do not give the whole of those appointments to natives; they are partly held by Europeans and partly by natives, and to obtain the English proportion you hold the examination?—That means that a racial qualification is introduced into these appointments.

19,328. You want a certain proportion of Englishmen in those appointments, and to get that proportion you hold a competitive examination for Englishmen?—There is nothing which says that a certain proportion of these appointments should be held by natives; it is only a question of qualification. There is nothing said either by the Public Service Commission or by the Government of India to the effect that a certain proportion must be held by Europeans; I am not aware of any rule which would justify any order of that kind.

19,329. It must be obvious that Europeans are wanted for those appointments?—They might be nominated the same way as natives of India are nominated.

19,330. What is your injury? If we want certain Englishmen to hold certain posts, and if the Government chooses to hold a competitive examination to obtain those Englishmen for those posts, where is your injury?—My objection is a two-fold one. In the first place, the bulk of the appointments are held by Europeans, and then you appoint effete, worn-out, dilapidated inspectors of police to be district and assistant superintendents of police.

19,331. Effete natives?—Yes, that is an absolute fact.

19,332. Is not that a very good reason for having some Englishmen among them?—That is a very good reason why they should be admitted to these examinations, so that young men might come forward and show that they possessed the necessary qualifications.

19,333. Then you should recommend the Government to have a separate examination for natives?—I would have an examination both for natives and for Englishmen. Have what intellectual and moral qualifications you please, but let there be absolute equality, and no racial disability.

19,334. (*Mr. Cairns.*) You mean, have the examinations simultaneously in the two countries?—Exactly, simultaneously.

19,335. (*Chairman.*) Your contention is that there ought to be no bar put between the Europeans and the natives?—Precisely so, my Lord.

19,336. And you are opposed to keeping certain qualities of employment for Europeans?—I am opposed.

19,337. (*Mr. Courtney.*) You would not object so much, perhaps, to a certain proportion, say one-third of the officials being required to be Europeans, or one-half, as the case may be?—I would not object if there was reasonable adjustment, I would not object to that, but, at the present moment, it is practical exclusion, and that is what I strongly object to, and what my countrymen object to.

19,338. (*Mr. Naoroji.*) And all the highest appointment are reserved to Europeans?—Just so.

19,339. (*Mr. Courtney.*) You were speaking of these special appointments—superintendents of police—are they intermixed, Europeans and natives?—There are seven natives and 101 Europeans, as I have said, and the result of that is that cases of burglary, cases of theft, and cases of murder, are constantly taking place, and the absence of detective ability is notorious, simply because there are these heads of police who are Europeans unacquainted with the language, manners, and institutions of the country. There seems to be no reason for this exclusion on the ground of race, for the district and assistant superintendents of police have done their work admirably, and one of them recently distinguished himself by the capture of a number of dacoits, as will be seen from the following report in the newspapers:—

“Babu Girindra Chunder Mukerji, Assistant Superintendent of the Bengal Police, had an encounter with five dacoits on the road connecting Ichhapore and Shamnagar on Saturday night. The dacoits attacked the coachman of the hackney carriage in which the police officer was driving from Naibatty to Barrackpore at midnight. Hearing the noise, he jumped out of the carriage, and caught the men. They were then placed inside the carriage and brought to the Barrackpore police station. They will be tried by the Deputy Magistrate of Baraset.”

Further, the exclusion of natives of India from the examinations to which I have referred, is in direct conflict with the terms of the Proclamation of Her Majesty of the 1st November 1858, which, in clear and emphatic terms, laid down that merit was to be the sole test of qualification for office in India, and that Indian subjects, of whatever race or creed, were to be freely admitted to all offices, the duties of which they were qualified by their ability, education, and integrity duly to discharge. In Bengal, burglaries and other offences against property are believed to be on the increase, and the people of Bengal attribute this partly to the want of detective power in the European heads of the District Police, and to their want of familiarity with our customs and language. It is a notorious fact that a district superintendent of police is unable, through his ignorance of the language of the people, to inquire into the ordinary cases of theft and burglary, and the larger employment of Indians in the police would, therefore, add to the efficiency of the force, while reducing the total expenditure.

19,340. (*Sir W. Wedderburn*) It leads to the Europeans being very much in the hands of their subordinates?—Entirely, and that accounts for the corruption which prevails in the police department.

19,341. (*Chairman.*) I do not quite follow. If these appointments were in the hands of natives, why should they make the subordinate officers pure?—For the simple reason that they would exercise a most vigorous control over them—far more vigorous than could be exercised by Europeans. A native head of a department would know much more about the subordinates than a European head would be expected to know; he would know their language, and would come into contact with the people, would be intimate with their habits, and so forth; he would exercise a much more vigorous control—other things being equal—over native subordinates than a European could be expected to do. In the Public Works Department we find the same thing. There are 69 appointments in the superior establishment in Bengal, of which 53 are held by Europeans, and 16 are held by Indians. The total monthly salaries, including allowances drawn by the Europeans, come up to Rs. 49,000, in round numbers, the monthly salaries paid to the Indians come up to Rs. 6,000 in round numbers. In the Opium Department, excluding the opium agents and factory superintendents, who are covenanted civil and medical officers belonging to the Indian Medical and Indian Civil Service, we find there are 27 sub-deputy opium agents classified under five grades in the civil list of the Bengal Presidency, corrected up to 1st January

1897. Together their salaries come up to Rs. 17,600, not a single native of India has a place in these grades, although the Public Service Commission recommended "equality of treatment of all classes of Her Majesty's subjects" in regard to their appointment to offices in this department. Out of 44 Assistant Sub-Deputy Agents, there are only nine who are natives of India. Their monthly salaries come up to Rs. 2,250. The monthly salaries paid to the European employes come up to Rs. 10,400. With regard to the employment of natives of India in the Customs Department, it may not be out of place to quote the remarks of Sir Charles Trevelyan:—"There are whole classes of employment", said Sir Charles Trevelyan, "for which the natives are specially qualified. The natives are specially qualified for revenue functions. The whole of the appointments in the Customs might be filled by natives." But what are the facts? With one exception, the superior appointments in the Customs Department in Calcutta are filled by Europeans. Their total monthly salaries come up to Rs. 12,360. There is not a single Hindoo or Mohammedan name to be found among the officers of the Preventive Service, although the Public Service Commission recommended that "there is no ground for the exclusion of qualified candidates of any race from the appraiser's or the preventive branches of the department." The Public Service Commission point out that "native Christians in Bombay have been employed in the Preventive Service, while a Bramin Preventive Officer in Madras is admittedly efficient, and in discharging his duties has experienced no difficulty owing to his race" (page 97, Public Service Commission Report). I have been informed that a Parsi gentleman so efficiently performed his duties as an appraiser in the Bombay Customs Department that he was asked by the authorities after he had retired on pension to re-join his appointment on the passing of the recent Tariff Act imposing duties on imported goods.

With regard to the medical services (Bengal), in 1877 there were 67 commissioned medical officers, of whom five were Indians. There were, in addition to the above, 28 uncovenanted medical officers; of these seven were apothecaries (all Europeans), and three were Indians. In 1887 there were 62 commissioned medical officers, of whom only six were Indians. There were 29 uncovenanted medical officers, of whom only four were natives of India, the other 25 were Europeans and Eurasians (13 apothecaries and 12 non-military medical men). There were 142 assistant surgeons. In 1897 there were 66 commissioned medical officers, of whom only four were Indians. Thus practically the number of commissioned officers on the Bengal establishment who were natives of India remained stationary for a period extending over 20 years, from 1877 to 1897; in fact, the number in 1897 was slightly less. In 1897 there were 36 uncovenanted civil medical officers, of whom only four were Indians; the rest were Europeans and Eurasians; 25 were apothecaries, and seven non-military Europeans. The total amount of monthly pay drawn by the commissioned officers in 1897 was Rs. 66,024, out of which the four Indians get Rs. 3,870 per month. There are 138 assistant surgeons, all Indians, drawing a salary of Rs. 26,296 among them. Thus it will be seen that the 62 European commissioned officers draw more than double the salary of all the assistant surgeons in Bengal put together, whose number, it should be remarked, is double the number of the commissioned officers. Roughly speaking, the European establishment, superior and subordinate, costs about Rs. 75,000 a month; the native subordinate establishment, consisting of 138 assistant surgeons, costs about Rs. 26,000 a month. The European establishment thus costs about 75 per cent., the native 25 per cent. It will also be seen that, while the number of apothecaries holding the higher appointments has increased by over 300 per cent., the number of natives of India employed has actually decreased. There is a distinct tendency to put the apothecaries, who are now called assistant military surgeons, over the heads of Indian assistant surgeons, although their medical training is inferior to that of the Indian assistant surgeons. Appointments have been taken away from the Indian assistant surgeons and given to the military assistant surgeons. Their status has been improved. They begin on a salary of 75 rupees a month. The assistant surgeons begin on 50 rupees a month as supernumeraries. The pay of the assistant surgeons was fixed about 60 years ago as follows:—Third grade, Rs. 100; second grade, Rs. 150;

and first grade, Rs. 200. There are, besides, a few prize appointments which carry a higher salary. The scale of pay remains unchanged after 60 years, notwithstanding the petitions presented to the Government on their behalf, notwithstanding that the pay of the subordinate judicial and executive services has been raised, and notwithstanding the fact that the price of food has more than doubled itself within the last 60 years. While the highly paid officers of Government receive exchange compensation allowance, it is remarkable that this deserving class of Indian public servants should continue to draw a scale of pay which was fixed for them 60 years ago.

19,342. Now 'you are going to deal with the re-organisation of Medical Department?— Yes. The medical service may be so organised as to lead to considerable economy without interfering with efficiency. There are at present (July 1896) about 375 commissioned medical officers in Bengal, besides 25 military assistant surgeons who have received honorary commissions. Of the medical officers who have received their commissions in England about one-half are employed on military duties, mainly in military charge of native regiments. The remainder are in civil employ. The medical charge of a native regiment may, with advantage, be held by a native military assistant surgeon, instead of the more expensive commissioned European medical officer. At present, to each native regiment (as well as to each detached wing or squadron) besides one commissioned medical officer, one or generally two hospital assistants are attached for duty. These last receive a medical training in vernacular for three years—commence their duties on Rs. 20 a month—reaching the maximum of Rs. 80 during their service of 32 years. The commissioned (European) medical officer, when in charge of a regiment, commences with a minimum of Rs. 386 per month, plus on the average 12 per cent. on his pay as exchange compensation allowance. In a cavalry regiment he draws Rs. 65 in addition for horse allowance. The pay increases according to the length of service, and there is nothing to prevent him from holding the medical charge of a regiment for the entire period of his service. Thus, after 20 years' service, he draws Rs. 1000 per month, exclusive of allowances, for doing the same work for which he received Rs. 386, plus allowance when he joined the service. I submit there is no necessity for keeping up such an expensive system for the following reasons:—The duties of a military medical officer are of two kinds, first, such as those that devolve upon him in cantonments, and those that he is called upon to perform in war time. In cantonments the average daily sick in a regimental hospital is under 4 per cent. of the strength. That is, in a regiment of between 800 or 900 men, the number of sick sepoy present in hospital rarely exceeds 20 or 25. In a cavalry regiment the number is considerably less. The cases, as a rule, are mostly of a trivial nature, and can be easily treated by a properly qualified native assistant surgeon. I consider it an unnecessary waste of money to pay 800 or 1,000 Rs. a month to look after 20 sick sepoy, most of whom are in hospital for very trifling complaints. As for the British officers attached to a native regiment, I would suggest that they and their families may be looked after by an officer of the Army Medical Staff. Excepting in the Punjab frontier and Assam there is always a detachment of British troops wherever native regiments are stationed. The Army Medical Staff officer in medical charge of the British troops can, for a small additional consideration, look after the British officers and their families. On the Punjab frontiers there are generally two native regiments with a battery of artillery stationed at one place. The senior medical officer also performs the duties of the civil surgeon of the station. I would say that one Army Medical Staff officer, with a sufficient number of native assistant surgeons, can perform all the duties just as well and far more inexpensively than what obtains at present. As for the medical service in war time, it is admitted that the present arrangement is unsatisfactory. The greatest difficulty is experienced to obtain a sufficient number of medical officers. The only alternative is to engage a large number of commissioned medical officers, for whom, as I have shown above, there is hardly any work during peace time. The remedy I would suggest is that a sufficient number of native military assistant surgeons may be trained in the country, paid on the scale of civil assistant surgeons, and who will perform all the professional duties, the administrative portion of them being left to experienced officers of the Army Medical Staff. In place of the present system of imperfectly qualified hospital assistants, and a limited number of

very highly paid commissioned medical officers, there will be a large number of properly qualified men who will, for all practical purposes, be quite equal to their duties during peace or war. The present civil medical system is open to greater objection. A civil surgeon of a district is supposed to look after one or two hospitals at the head-quarters of a district. Generally speaking he is in charge of the district jail, not only as a medical officer but as its superintendent. He is the superintendent of vaccination for the district as well as sanitary adviser to the head of the district. This by no means finishes the category of his duties. A lunatic asylum, a leper asylum, or a blind asylum—sometimes all three—are thrown in the lot. He is also responsible for the meteorological returns of his district. First, as to hospital work. At places like Benares, Agra, Lucknow, the civil surgeon is supposed to look after over 125 beds in the different hospitals scattered through the town; while at Jessore, Faridpur, Noakhaly, the number of beds varies between 10 and 12. It will strike most people that 125 patients are more than what can be properly attended to by a single medical officer, and that looking after five or six patients in hospital is hardly exhaustive work for one medical man. But such is the curious anomaly of the system that not only the same emoluments are received by the two medical officers so differently situated, but the one who has almost nominal work to do can, by the present arrangement, draw more pay than his infinitely more hard-worked *confrere*. To do away with all these anomalies, and for the better management of hospitals, I would suggest, and I believe the time has arrived to carry out the suggestion, that the system which, I understand, obtains in England may be partially adopted in India. There is a large number of properly qualified independent medical men trained in India as well as in Europe, who will accept the post of honorary surgeons and physicians in the large hospitals at the head-quarters of the provinces and districts. As to the fitness of the Indians to hold such appointments I would point to the Campbell Hospital, Calcutta, to the comparative list of surgical operations performed by commissioned European medical officers and Indian civil assistant surgeons, as well as to the few Indian commissioned medical officers who have been permitted to hold civil appointments. In large towns there is generally a hospital for Europeans exclusively. At all these places there are highly qualified independent European medical practitioners, who, I am sure, will be only too glad to offer their services gratuitously to such institutions. As for the hospitals for Indians, I would suggest the appointment of honorary physicians and surgeons may be left in the hands of the municipalities or other local bodies. All the hospitals suffer for want of funds. The Inspector-General of Civil Hospitals, North-Western Provinces, observes, in his triennial report, ending 31st December 1895 (page 20) “As a consequence of the want of means, many civil surgeons not only find the greatest difficulty in meeting the demands for the most ordinary and inexpensive medicines, but have also to defer or abandon the purchase of necessary instruments.” Proper diet, which is such an important factor in the treatment of diseases, is supposed to be adequately supplied at the average cost of 1 anna per diet (page 55, North-Western Province Triennial Report, and page 93, Annual Report of the Dispensaries in the Punjab, for 1895). At some places, such as Jhelum and Pind Dadan Khan, that modest amount is supposed to be quite large enough to meet the expenses of even two diets. When it is considered that the average famine diet costs about 2 annas per head, the sum expended in the nourishment of sick patients in the Indian hospitals cannot be open to the accusation of wanton waste. At the Ramsay Hospital, at Naini Tal, which is a hospital for Europeans, the average cost of each diet is Rs. 3. 0. 9. (page 75, Triennial Report of the Dispensaries of North-Western Province, ending 1895), which shows what is supposed to be the proper expense for a sick diet; and the contrast between this diet and that allowed to the sick native of India is striking.

19,343-5. (*Sir D. Stewart*.) You say that there is only an anna expended on the diet of patients in an hospital which you quote?—Yes, I have got the figures and the returns too.

19,346. Are you aware that those patients are allowed to have their own meals, with the sanction of the doctor—anything they like?—I am not aware of that. I

am not aware of such a rule; but at any rate that would be a charge which the hospital would incur on that account.

19,347. But are you aware that the patients are allowed to have any meals that they like, with the approval and sanction of the medical officer in charge?—I was not aware of that.

19,348. It is the fact?—That would apply to Europeans too?

(*Sir D. Stewart*) No; Europeans are dieted by regulation; natives have any food that they like, provided that the doctor does not oppose it. If the doctor prescribes a particular diet for them, they get it, whatever it is; medical officers have the power to give their patients what they like.

(*Mr. Naoroji*.) What he has is paid for by the patient himself.

19,349. (*Sir D. Stewart*.) Yes, but Europeans are subjected to hospital stoppages?—(*Witness continuing his statement*.) Such being the state of things, it is highly uneconomical to keep up a large number of military medical officers at an enormous cost. In some hospitals the pay alone of the commissioned medical officer comes up to more than the combined expenses of assistants, menial establishment, medicines, surgical instruments, and dieting of all the hospitals and dispensaries of the entire district. As, for instance, the total expenditure during 1895 stood thus in the following districts in the North Western Provinces:—

	Rs.	s.	p.	
Almora	-	5082	2	5, page 51
Dehra Dun	-	6582	1	3, page 59
Etawah	-	5806	14	11, page 63
				Triennial Report ending 1895.

If the above were in charge of a surgeon-captain, his pay would come up to Rs. 6,600 a year, exclusive of exchange compensation allowance. By adopting the method here suggested there would be a considerable saving of expense.

There are 23 superior appointments in the Forest Department. With a single exception they are all held by Europeans. The monthly salaries drawn by the European members of the Forest Service come up to Rs. 12,100; the salary drawn by the single Indian member of the service is Rs. 300 a month. The public service recommended that "that the staff should be divided into an Imperial and provincial branches, and that as in the Imperial Civil Service the Imperial branch of the Forest Service should be a *corps d'élite* limited to the number of officers necessary to fill the superior controlling appointments, and such a proportion of the Assistant Conservator's posts as will ensure a complete training of the junior officers." They further recommended that the Government should keep in view the policy of training in India men qualified to take charge of the higher administrative appointments, so as to avoid, as far as possible, the necessity for expanding the Imperial branch of the service." From the facts stated above, it does not appear that any serious effort has been made to train natives of India so that they might take charge of the higher appointments; for, with one exception, these appointments are filled by Europeans.

19,350. (*Sir James Peile*.) You could not all at once substitute natives for Europeans; before the native could be trained, sometime must elapse?—But that was 10 years ago. The Public Service Commission reported in 1886, and now it is 1897.

(*Sir James Peile*.) The report may have been 10 years ago, but when were the orders issued?—I suppose in the course of a year's time.

19,351. They would take a little more time than that, I am afraid?—I was looking over these appointments. The appointment held by the Indian is that of extra Assistant Conservator; extra Assistant Conservator is not one of the covenanted appointments.

19,352. He may not have been fit for any thing more at the time?—But there may be other native extra Assistant Conservators; what was there to prevent other natives being appointed to the position of extra Assistant Conservators?

19,353. You must give time for a rule of that character to be introduced?—10 years have elapsed, and there is only one native employed in the department. Ten years seems to be a sufficient time.

19,354. (*Mr. Naoroji.*) Is any arrangement made to train natives to occupy the higher posts?—There are native rangers, and appointments of that kind, but the recommendation of the Public Service Committee had reference to the higher appointments.

19,355. Are they trained for it?—I do not think they are trained for it.

19,356. (*Chairman.*) Do you know that they are not being trained?—I am not aware that anybody is being trained for that office of a conservator.

19,357. What is the method by which the Europeans are obtained; where are they obtained?—By competitive examinations held in this country.

19,358. And there is no competitive examination held in India?—None.

19,359. And you do not know, if I understand you, of any means by which access is given to the natives to these higher employments?—None, that I know of.

19,360. (*Sir James Peile.*) Are they not trained at Cooper's Hill College?—After an examination, as I understand.

19,361. After a preliminary examination they are trained there?—Yes

19,362. Are natives excluded?—I think so, but I do not venture to put it forward for this reason: the latest rules are that all natural-born British subjects of Her Majesty are to be appointed to these offices. I asked Sir Romesh Chunder Mitter, late officiating Chief Justice, as to what was meant by "natural-born British subjects," and he thought the examination was confined only to Europeans. But I should not like to make that statement until I feel more sure about it; but that is the new rule, and I have commented upon that rule upon those lines—that it seems very likely that the natives of India are excluded. The words of the Regulations regarding the Indian Civil Service were, "any natural born subject;" here it is "all natural born British subjects," therefore, the inference seems to be that we are to be excluded. But I want to take more advice about it before I put forward a statement like that.

19,363. (*Mr. Mowbray.*) Who were these regulations drawn up by?—By the India Office, I suppose.

19,364. Do they come from the Government of India?—This appeared in the Gazette of India.

19,365. In India itself—not issuing from the India Office?—I read it in India itself, in the Gazette of India.

19,366. (*Chairman.*) We pass on now to the Educational Service?—Yes. The Educational Service in Bengal, which has recently been re-organised, has given rise to much dissatisfaction. Under the orders of the Secretary of State "the Department is to be divided broadly into (a) the superior service, and (b) the subordinate service. The former will consist of two branches, one including all posts to be filled by persons appointed in England, which will be called 'the Indian Educational Service,' and the other including all posts to be filled by recruitment in India, which will be known as 'the Provincial Educational Service.' The Indian Educational Service will consist of 27 officers. The Provincial Service is to consist of 104 officers." The recruitment for the Indian Educational Service taking place in England, it need hardly be observed that natives of India will have little or no chance of appointment to the superior grade. Indeed, it would seem, from the orders of Government, that natives of India, with degrees from the universities of England, Scotland, and Ireland, are now to be admitted only to the Provincial Service, for we find the following laid down in the scheme as sanctioned by the Secretary of State: The Provincial Educational Service is to consist of 104 officers, as follows.—

	5	Inspectors of schools.
	10	Assistant inspectors.
	7	Principals, and
	51	Professors of colleges.
	24	Head masters of collegiate and training schools.
	7	Others, including the (1) assistant superintendent, and the (2) head master of the school of art, (3) the personal assistant to the Director of Public Instruction, and (4) supernumerary appointments (professorships) to be filled by Indian gentlemen with degrees from the universities of England, Scotland, and Ireland, or by Premchand Roychand students.
Total	104	

The concluding words of the extract which I have quoted supports the view which I have put forward, viz., that it appears to be the intention of the resolution to confine the employment of Indians practically to the Provincial Service.

19,367. Does that follow? You say, first of all, that it will be seen from the orders of the Government that natives are now to be admitted only to the Provincial Service, and then you follow by giving the Provincial Educational Service "to be filled by Indian gentlemen with degrees from the universities of England, Scotland, and Ireland, or by Premchand Roychand students?"—That is an Indian degree.

19,368. Are they Indians?—They are all Indians.

19,369. The students?—That is so; the whole resolution is that appointments in the Provincial Service are to be given to Indian gentlemen possessing degrees from the universities of England, Scotland, and Ireland

19,370. The whole of the 104 are?—If your Lordship will take the members of the Provincial Service, they would, for the most part, be Indians, I expect.

19,371. I do not see that there is anything there?—That is the point to which I want to call your Lordship's attention, viz., that these professorships in the Provincial Service are to be filled by Indian gentlemen with degrees from the universities of England; that is the point.

19,372. (Mr. Naoroji.) They are all included in the seven?—Yes, they are all included in the seven. There is absolutely no reason for this exclusion, when it is borne in mind that Indian gentlemen in the Educational Service, with degrees from the English universities, have attained to the distinction which has been achieved by men like Dr. Bose and Dr. P. C. Roy. They are able to hold their own against any Englishman in the particular departments in which they have won distinction; but in future, under the operation of the new scheme, men like them will be relegated to the Provincial Service.

19,373. (Sir James Peile.) What would be the particular disadvantage of their being in the Provincial Service?—It is an inferior service, with inferior pay.

19,374. You mean the pay is lower?—Yes, and the distinction too.

19,375. That is to say, they are cheaper?—The Provincial Service is cheaper.

19,376. That is one of the great advantages that Mr. Naoroji has been impressing upon us as to be obtained by the employment of natives?—Precisely.

19,377. Why do you object?—I do not object to the Provincial Service as a service, but we say why should the elite and the best of our men be sent to this inferior service, while you have a superior service practically exclusively for Europeans?

19,378. It is not a question of inferior or superior service, but a question of pay?—It is a question of pay and distinction.

19,379. It has been impressed upon us that the great advantage of employing natives would be the saving of pay?—I entirely accept that view, but in this matter I say that up till now we had an educational service in the superior grade of which natives of India had a place; now you make rules the effect of which would be practically to exclude them. I think that is a grievance.

19,380. (Chairman) How do you arrive at that?—I will explain that presently. In the first place, it is laid down that the recruitment to the superior grade shall ordinarily be made in England for the superior service; secondly, that the Indian gentlemen who may obtain degrees from English universities will be appointed to the Provincial Service. Putting the two things together, the conclusion is irresistible that we are to be relegated to the Provincial Service, and to that service alone.

19,381. (Sir James Peile) I think that is perfectly correct. I should like to ask you this also. Have you read the report of the Commission?—Very carefully.

19,382. They distinguished between the two classes of professors, or rather between the subjects which they taught. The native gentlemen on the Commission quite agreed that Englishmen are quite indispensable for such subjects as English literature, and things of that kind, whereas they pointed out that for mathematics and science, and one or two other matters, it

was quite possible to find natives who were sufficiently efficient?—Yes.

19,383. A division was therefore made, namely, that the Englishmen, who were indispensable for teaching English literature and the like, should be appointed in England to the Indian educational service, while natives, who are competent to teach mathematics and so on, should be appointed to the Provincial Service in India?—I have not the smallest objection to the employment of a considerable element of Englishmen in the higher Educational Service; but what I complain of is this, that the effect of this rule would be completely to exclude my countrymen who are properly qualified from that grade.

19,384. I should rather put it, that temporarily your countrymen are excluded from professor's chairs, which they are not competent to fill at present?—Is there any professional chair connected with electrical science which Dr. J. C. Bose is not qualified to fill?

19,385. That is one of the Chairs which was considered by the Commission as being one which natives were competent to fill?—I understand the Government of Bombay has laid down the principle that a professor in science ought to be brought out from England.

19,386. I am not aware of that?—Yes; my friend, Mr. Gokhale, has given me this information.

19,387. I think you are mistaken?—At any rate, that is my information.

19,388. We have got Mr. Naigamvala in Bombay at the present time?—Under these rules, or under the old rules?

19,389. You informed me of the rule, otherwise I am not aware of it?—My complaint is that here are these orders laid down, the effect of which orders would be, in practical operation, to exclude the most qualified Indians from appointments to which they are entitled under the existing rules.

19,390. I have explained to you that you misunderstand it?—Your suggestion was that the Public Service Commission made that recommendation.

19,391. It was adopted by the Secretary of State?—If I had the book before me I could read the recommendation, but I do not know—

19,392. That is the principle which has been adopted by the Secretary of State?—The Lieutenant-Governor of Bengal strongly protested against the whole thing, and he must have had the regulations before him.

19,393. (*Sir William Wedderburn.*) I understand that you wish each case to be decided on its own merits, and that there should be no arbitrary rules based on racial grounds?—Entirely.

19,394. (*Sir James Peile.*) Then you go against the recommendation of the Public Service Commission, upon which some most eminent native gentlemen served?—But I may differ from them in regard to small matters if I do differ.

(*Sir James Peile.*) Certainly.

19,395. (*Sir William Wedderburn.*) Is it not the case that a considerable majority of that Commission were officials, and the majority of that Commission were Europeans?—That is so.

19,396. (*Sir James Peile.*) The native members concurred in the recommendations?—Exactly; on the distinct understanding that the whole of their recommendations should be given effect to, and they regret that they ever did concur.

19,397. And this was one of them?—I have not seen it.

19,398. (*Mr. Naoroji.*) If some particular subjects were confined to Englishmen, that is no reason why a distinction should be made, for a number of Educational Services to be entirely given to them by rule and a number of natives excluded from them by it?—The objection is that it is based on racial considerations; it means that natives are to be excluded.

19,399. (*Sir James Peile.*) Excluded from certain chairs which they are not yet competent to fill?—I should like to know what position Dr. J. C. Bose is not competent to fill in electrical science.

19,400. What rules of exclusion are you referring to?—I am referring to those two quotations, namely, that the recruitment shall ordinarily take place in England; and secondly, that Indian gentlemen with university degrees obtained in England are to be admitted only to the Provincial Service.

19,401. But these science chairs now belong to the Provincial Service; the mathematical chairs have been handed over to the Provincial Service?—I am talking of the Imperial Service. I say that a man like Dr. Bose, if he had the degrees which he had, when appointed to the superior service, would now be appointed to the Provincial Service, and I think that would involve very great unfairness.

19,402. He would not be appointed to a professorship of English literature because an Englishman is more suitable?—It is not the particular office, but the particular grade.

(*Sir James Peile*) The offices were divided between the Imperial and the Provincial Services on that principle; those which specially required Englishmen were made Imperial, and those which native men are found competent to fill were put in the Provincial Service.

(*Mr. Naoroji*) Why should it be decided first of all that certain offices are entirely suitable to Englishmen only?

(*Sir James Peile*) I refer you to the report of the Commission.

19,403. (*Mr. Naoroji*.) But the report of the Commission is not altogether an infallible one; there has been a great deal in the Commission which was very considerably criticised?—My contention is that our status is distinctly lowered.

19,404. (*Mr. Mowbray*.) What is the date of these rules which you have been quoting?—They are very recent; this year. This is quoted from the "Calcutta Gazette" of the 27th March last.

19,405. Your contention is that these rules have modified the existing rules to your disadvantage?—Precisely.

19,406. (*Chairman*.) Do I gather that your chief objection to them is that a distinction is made, inasmuch as Europeans are appointed to the superior educational service while the native gentlemen are appointed to this Provincial Service, which you look upon as being of a lower grade?—Precisely so: that is exactly the point.

19,407. And you are objecting to what you think is a racial distinction which marks the native gentleman as of an inferior class?—Certainly, my lord.

19,408. (*Mr. Mowbray*.) Are any Englishmen employed in these educational positions in the Provincial Service?—There are not many Englishmen, but Eurasians. There may be one or two Englishmen who have graduated in India, but not many; there are Englishmen and Eurasians. It is indeed the case that the Government of Bengal itself is not satisfied with the scheme, inasmuch as the prospects of the officers in the lower grades are very discouraging, and the scheme fixes the pay of the lower grade of the Provincial Service at Rs. 150 a month, while the pay of the lowest grade in the other provinces appears to be higher. This is what Sir Alexander Mackenzie, the Lieutenant-Governor of Bengal, observed in this connexion, in his resolution dated the 26th March 1897: "His Honour observes that, owing to the narrowness of the scale of the Provincial Service, as compared with existing salaries, the prospects of officers in the lower classes are very discouraging. For instance, officers now placed in Class VI., on Rs. 250, of the service, are all in Class III. (Rs. 200-21-300) of the existing service, and before they can receive any increase of pay they must rise to the top of Class VI., and then move slowly to the top of Class V. He also observes that the Provincial Services of other provinces are practically devoid of Class III. on Rs. 150. Sir Alexander Mackenzie regrets this state of things, and, with a view to improving the prospects of the Provincial Service, he proposes at an early date to consider whether something may not be done by assigning a greater number of officers to some of the intermediate classes."

19,409. (*Chairman*.) Next you propose to take the Survey Department?—Yes. The Public Service Commission in their Report observe that the admission to the junior division should not be confined to special classes of Her Majesty's subjects (evidently referring to the practical exclusion of Indians from the Provincial Service of the Department) but that it should be recruited by competition from among selected candidates (page 152, Public Service Commission's Report). In this Department there has always been

considerable objection to the employment of Indians as will be seen from the following memorandum written by Colonel De Pru, late head of the Survey Department, which was laid before the Public Service Commission:—"I may here remark incidentally that my numerous late inspections show me that the tendency of the European surveyors is to stand and look on, while the natives are made to do the drawing and hand-prinning, as if they thought themselves quite above that sort of thing. This is a mistake, and cannot be permitted for the future. Besides, it is suicidal for the Europeans to admit that natives can do any one thing better than themselves. They should claim to be superior *in everything*, and only allow natives to take a secondary or subordinate part. In my old parties, I never permitted a native to touch a theodolite or an original computation on the principle that the triangulation or scientific work was the prerogative of the highly paid European, and this reservation of the scientific work was the only way by which I could keep a distinction so as to justify the different figures respectively drawn by the two classes between the European in office-time and the natives who ran him so close in all the office duties as well as on field duties. Yet I see that natives commonly do the computation work, and the Europeans some other inferior duties." The Public Service Commission also noted the objection to the employment of natives of India in their Report, and they observe:—"The Junior Division has been hitherto officered for the most part by Europeans domiciled in India, and Eurasians, of whom many have passed the Matriculation Examination of the Indian Universities. In the year 1884 the Government of India determined that natives should be employed in the Junior Division, believing that educated or trained Natives could be found who were competent to perform all the duties of the subordinate staff, and that as the competence of such natives had not been made the subject of trial, the presumption of incompetence could not be admitted" (page 132). The fact, indeed, seems to be forgotten that at one time the head of the Computing Department of the great Trigonometrical Survey was a Bengali gentleman (Baboo Radhanath Sikdar), who performed his duties with remarkable ability and efficiency. As it is we find that in the Survey Department out of 119 appointments in the Provincial Service, only 10 are held by Indians. The monthly salaries and allowances paid to European employes come up to Rs. 35,713, while the monthly salaries paid to Indian employes come up to Rs. 2,012. There is not a single Indian in the six grades of extra assistant superintendents comprising appointments, the salaries of which vary from Rs. 300 to Rs. 500 a month.

19,410. Now, you will perhaps take the Telegraph Department?—Yes. There are in the Indian Telegraph Department 32 superior appointments, exclusive of the Examiner and Deputy Examiner of Accounts. All these appointments, with two exceptions, are held by Europeans, and by students passing from Cooper's Hill College. The monthly salaries drawn by the European employes come up to Rs. 56,025; the Indian member of the Telegraph Department, who is also a passed student of Cooper's Hill College, draws a monthly salary of Rs. 300. There is one other Indian member of the Department who is appointed on the Provincial scale of pay and gets Rs. 150 a month. The Government of India resolved, on the recommendation of the Public Service Commission, to make some appointments to the Telegraph Service on the Provincial scale of pay, which is about 66 per cent. of the scale of English pay, from among the native students of the Thomason College, Roorkee (*vide* Government of India Resolution, No. 156, P.E., of 25th August 1892, P.W.D.) Since the publication of this Resolution 21 appointments have been made, out of which four have been made in India, and of the four only one has been given to an Indian, the other three have been conferred on Eurasians. If the Government had exercised the powers which it assumed by the resolution referred to above more largely, and the terms of which are quoted below,* there would have been a saving of expenditure and a proportionate relief to the finances. The Thomason Engineering College is equipped for the purpose of turning out duly qualified

* "The number of appointments shall ordinarily be two and one in alternate years, but these numbers may be varied according to the requirements of the Department, due notice whereof will be given."

candidates for the Telegraph Service. There seems to be little doubt that some of the Indian Colleges are turning out students whose services might with advantage be utilised for the Telegraph and other scientific Departments with considerable relief to the public exchequer. Dr. J. C. Bose, Professor of Science in the Government Presidency College in Calcutta, who has acquired a European reputation by his discoveries in connexion with electrical science, thus observed in a paper that he read in this country on the progress of science teaching in India:—"The advanced students whom we hope to train in our laboratories, will form the best material for recruitment to the various scientific departments under the State. The students who now work in electric science in our Presidency College Laboratory, acquire a very high efficiency in it, and it would be an advantage to the Telegraph Department to utilise their services. Indeed, this was at one time contemplated, and Sir Alfred Croft, the retiring Director of Public Instruction, interested himself in it. It is to be hoped that something will be done in this direction." If the hope expressed by Dr. Bose is fulfilled, a considerable impetus would be imparted to the teaching of science in India, and the interests of economy would also be ensured. The Public Service Commission practically made the same recommendation. They recommended the gradual reduction of the staff recruited in England, and that a superior local telegraph service should be recruited in India from classes to be established at one or more of the Indian Engineering Colleges (pages 139). There are 85 sub-assistant superintendents divided into two grades, 41 being in the first grade, and 44 in the second grade. The maximum pay allowed in the first grade is Rs. 350 per mensem; in the second the maximum is Rs. 275 per mensem. There are only two Indians in these two grades. If the Department were re-organised and the native Indians employed more largely, it would be possible to place it upon a more economical footing. It would seem that all telegraph masters and signallers receive in addition to their substantive pay an allowance in the shape of house rent of Rs. 15 and Rs. 10 per month respectively, when posted to Presidency towns, and Rs. 10 and Rs. 5 respectively when employed in out-stations. But this rule does not apply to natives of India. In other words, it is only the European and Eurasian telegraph masters and signallers who are entitled to this privilege. In 1882 the Government of India in the Public Works Department issued the orders granting house allowance to all telegraph masters and signallers with the exception of course, of such as were provided with quarters. In 1883, orders were issued that native telegraph masters and signallers were not entitled to the allowance. Some native Christian signallers who had adopted the European mode of living prayed for this house allowance when they received the following letter in reply:—

From the Director-General of Telegraph to the Superintendent, Calcutta Office, No. 3375T, dated 26th September 1890.

SIMLA.

SIR.—With reference to your letter, No. 2596T, dated the 16th of September 1890, I have the honour to inform you that under the orders of the Government of India native signallers, as distinguished from the European and Eurasian signallers, are not entitled to house allowance when not provided with quarters. By natives must be understood pure Asiatics, and the details of religion and dress that may be adopted by natives are questions which do not enter into the matter.

I am unaware of any special exceptions to this rule, that may have been made in former years, but if such exceptions exist, they afford no grounds for any further additions to them being made.—I have, &c. (signed) O. H. REYNOLDS, Director Traffic Branch.

The house allowance granted to telegraph masters and signallers comes up to the sum of Rs. 7,661.2 annas a month, or nearly a lakh of rupees a year. The details are given in the following statement:—

GOVERNMENT TELEGRAPH DEPARTMENT.

House allowance drawn by the Europeans and the Eurasians signallers serving in the following telegraph divisions,

	Rs.	as.	p.
1. Bellary Division	-	-	37 8 0
2. East Coast	-	-	35 0 0
3. Madras	-	-	919 13 9
4. Bombay	-	-	4,485 6 8

	Rs.	as.	p.
5. Nagpur	53	8	0
6. Rajputana	392	1	1
7. Sind and Belachistan	418	6	4
8. Punjab	416	0	0
9. Kashmere	342	5	8
10. Bengal	280	15	0
11. Arrakan	143	0	0
12. Lower Burmah	374	0	0
13. Upper Burmah	279	0	0
14. Calcutta	1,422	1	6
15. Oudh and Rohilkhund Division	62	0	0
16. Assam and Dacca Divisions	Nil		

(because the signallers and the telegraph masters in these two divisions are provided with quarters).

7,661 2 0

1. Number of European and Eurasian telegraph masters	157	
2. Number of European and Eurasian signallers	1,145	
Total	1,302	1,302
Number of Native telegraph masters	15	
Number of Native signallers	324	
Total	339	339
Grand total	1,641	1,641

No. 1 draw Rs. 15 and Rs. 7½ when posted to Presidency towns and mufussil respectively when not provided with quarters.

No. 2 draw Rs. 10 and Rs. 5 when posted to Presidency towns and mufussil respectively when not provided with quarters.

If all telegraph masters and signallers were natives, it is very obvious that under the existing rules the whole of this amount would be saved, and the saving would be in proportion to the employment of natives as telegraph masters and signallers. The distinction is invidious and causes bitterness and ill-feeling between persons working in the same department, and to the prejudice of public business.

19,411. You would, perhaps, like to take the Post Office now?—Yes. The all but practical exclusion of Indians from the higher appointments in the Post Office is felt as a grievance. The "Amrita Bazar Patrika," one of the leading organs of public opinion in Bengal, refers to the subject in a leading article in its issue of the 7th April last, headed "European Monopoly of Post Office." The facts stated are remarkable, and I desire to submit them for the consideration of the Commission. "The state of things in 1886 stood as follows:—

	European.	Native.
Chief Officers	23	2
Superintendents	85	35
Sea Postal Officers	5	7
Miscellaneous Officers	18	22
Postmasters	42	23
Total	173	89

"Since then there has been no appreciable improvement, as will be seen from the following facts mentioned by the "Amrita Bazar Patrika," from an official statement containing the names of Chief Officers and First Grade Superintendents corrected up to the 1st May 1896. The Director-General of the Post Office is a European, and he draws Rs. 3,000 a month. The Postmaster-General of Bengal, Madras, Bombay, Burmah, and the Punjab are all Europeans, and their respective salaries per month are 2,000, 1,750, 1,750, 1,500, and 1,400 rupees. The Postmaster-General of the North-Western Provinces is only an Indian, Mr. K. J. Badshah, his salary being Rs. 1,750. He holds a different office now; but he is a civilian, and he has access to the highest post in any department under the State. Let it also be borne in mind that the Postmaster-Generalship of the North-Western Provinces was reserved especially for an uncovenanted officer of Asiatic race. The postal authorities in their evidence before the Service Commission admitted this fact. As regards the other chief officers, the Deputy Director-General, pay Rs. 1,750; the Inspector-General, railway mail service, pay Rs. 1,400;

" Assistant Inspector-General, railway mail service,
 " pay Rs. 500, three Assistant Directors-General, pay
 " Rs. 1,000, Rs. 700, and Rs. 700, respectively; First
 " Grade Deputy Postmaster-General, pay Rs. 1,400;
 " two Second Grade Deputy Postmasters-General, pay
 " Rs. 1,000 each; three Third Grade Deputy Post-
 " masters-General, pay Rs. 700 each; and one Deputy
 " Postmaster-General, pay Rs. 500, are all Europeans.
 " There is only one Indian amongst these officers,
 " namely, Mr. C. J. Lalkaka, who officiates as Inspector-
 " General, railway mail service, on Rs. 800 a month.
 " The other Chief Officers are, one Comptroller, pay
 " Rs. 1,200; one Deputy Comptroller, pay Rs. 700; two
 " Assistant Comptrollers, pay Rs. 600 and 500 respec-
 " tively. With the exception of the Deputy Comp-
 " troller, Babu Woma Charan Dass, all others are
 " Europeans. We now come to the lowest class of
 " chief officers, namely, Presidency Postmasters. There
 " are three of them, namely, Postmaster, Bombay, pay
 " Rs. 900; Postmaster, Calcutta, pay Rs. 800; and
 " Postmaster, Madras, pay Rs. 750. Every one of them
 " belongs to the Europeans. Next to Chief Officers are
 " First Class Superintendents, pay Rs. 400-500 per
 " mensem. We find in the statement before us the
 " names of 21 such superintendents. It was expected
 " that, at least, in this class of officers, the Indian
 " element would prevail over the European. For it is
 " essential that these superintendents should have a
 " thorough and intimate knowledge of the vernaculars
 " of the country to carry on their duties with village
 " postmasters. But what do we find? Only four are
 " Indians, and the remaining 18 Europeans. So, out
 " of 46 Chief Officers and First Grade Superintendents,
 " there are only *two* pure Indians, the two Indian Chief
 " Officers being almost in the lowest grade!" Yet the
 " Post Office was one of those departments in respect of
 " which no one who was not a native of India could hold
 " any appointment carrying a salary of Rs. 200 a month
 " and upwards, without the previous sanction of the
 " Governor-General.

19,412. Will you take the Services next?—Yes.

19,413. And then Exchange Compensation?—Yes.

19,414. (*Mr Mowbray.*) You said, "He used to be";
 to whom were you referring?—Mr. Badshah has just
 been appointed Comptroller; but at the time to which
 this report refers he was Postmaster-General, but
 now he has been appointed Comptroller of Postal
 Accounts. With reference to the Services, I may here
 observe that the Indian public view with grave dis-
 appointment the fact that effect has not been given
 to the resolution of the House of Commons of the
 2nd June 1858 on the question of Simultaneous Exami-
 nations. In the opinion of the educated community in
 India, Her Majesty's Proclamation of the 1st November
 1858, declaring merit and not race as the sole test of
 qualification, will remain unfulfilled so long as simul-
 taneous examinations in connexion with the Indian
 Civil Services are not held in India as well as in
 England. This was, indeed, the view put forward with
 special reference to the Open Competitive Examinations
 for the Indian Civil Service by a Committee of the
 India Office, which reported on this matter in 1860.
 They observed—"It is obvious, therefore, that, when
 " the competitive system was adopted, it could not
 " have been intended to exclude natives of India from
 " the Civil Service of India. Practically, however,
 " they are excluded. The law declares them eligible,
 " but the difficulties opposed to a native leaving India
 " and residing in England for a time are so great,
 " that, as a general rule, it is almost impossible for a
 " native successfully to compete at the periodical
 " examinations held in England. Were this inequality
 " removed, we should no longer be exposed to the
 " charge of keeping promise to the ear and breaking
 " it to the hope. Two modes have been suggested by
 " which the object in view might be attained. The
 " first is, by allotting a certain portion of the total
 " number of appointments declared in each year to be
 " competed for in India by natives and by all other
 " natural-born subjects of Her Majesty resident in
 " India. The second is, to hold simultaneously two
 " examinations, one in England and one in India, both
 " being, as far as practicable, identical in their nature,
 " and those who compete in both countries being finally
 " classified in one list, according to merit, by the Civil
 " Service Commissioners. The Committee have no
 " hesitation in giving the preference to the second
 " scheme, as being the fairest, and the most in accord-
 " dance with the principles of a general competition
 " for a common object." Numerous petitions have

been presented to the House of Commons from all parts of India for effect being given to the Resolution of the House. But the Resolution remains a dead letter. It may generally be stated that if the great departments were recruited upon the principle that, wherever a native of India was qualified for an office, he should be appointed to it, and if the pay was adjusted with reference to the local marketable value of the qualifications required, a considerable saving in public expenditure would follow.

19,415. (*Chairman.*) Now will you take Exchange Compensation Allowance?—The employment of a costly European agency in the administration to a larger extent than what the financial condition of the country justifies has a financial bearing which is not to be overlooked. Exchange Compensation Allowance has been granted to the non-domiciled European employes of the Government. In 1893-94 Exchange Compensation Allowance came up to Rs. 624,411; in 1894-95 it rose to Rs. 1,249,591, and in 1895-96 it rose to a still higher figure, viz., Rs. 1,338,163. The Indian Association, of which I am the Secretary, protested against the grant of exchange compensation allowance, and addressed a communication to the Government of India on the subject. The Government admitted that the servants of Government to whom Exchange Compensation Allowance had been granted had no legal claim to it. A member of the Bengal Civil Service, Mr. Lea, refused to draw the allowance, on the ground that he was not legally or morally entitled to it.

19,416. What do you mean by "not legally entitled to it"? Was it not within the power of the Government of India to grant it?—Not in that sense, my Lord; not according to the covenant. They have no legal right, but, of course, the Government of India can give it; but from that point they have no legal right.

19,417. The civil servant himself had no claim to it?—Just so. If Exchange Compensation Allowance had been granted upon the actual remittances sent home for family purposes, no matter whether by India or European servants of the Government, one of its most objectionable features would have been withdrawn, though Indian opinion would still have condemned it. As a matter of fact, there are at present in England members belonging to the families of Indian gentlemen in the Civil and Medical Services, for whose maintenance and education those gentlemen make regular remittances. They draw no Exchange Compensation Allowance. On the other hand a large proportion of European gentlemen in the Civil Service, who are unmarried and have no remittances to make for their families, get Exchange Compensation Allowance. As it is, Exchange Compensation Allowance is granted to all non-domiciled European servants of the Government, no matter whether they joined the service before or after the depreciation in the value of the rupee had begun. It is granted to those whose salaries are fixed by statute, and a question has been raised as to whether they are entitled to it, but all the same they continue to draw it. Sometimes it is difficult to explain the principle upon which the allowance is granted.

19,418. You say that it is granted to those whose salaries are fixed by statute; are there many officers whose salaries are fixed by statute?—The judges' salaries are, I think, fixed by statute.

19,419. Is it not the case that, as a rule, the salaries now given to civil servants in India were fixed a long time ago?—Certainly (*continuing statement*). I will give an instance. Mr. Chackerbarty, Deputy Accountant-General, Bombay, does not draw any Exchange Compensation Allowance, but his brother in the Revenue Department of the Bombay Government gets the allowance. But while Exchange Compensation is thus granted to the highly paid European servants of the Government at an annual charge of over a crore of rupees, the Government is obliged to refuse an addition to the pay of ministerial servants on the Bengal Establishment, who draw small salaries and are exposed to great temptations, although a Commission, appointed to inquire into this matter, and consisting of some distinguished Government servants, recommended, so far back as 1886, on the ground of the rise in the price of provisions, that their pay should be increased by 75 per cent. More than a crore of rupees is spent to provide Exchange Compensation, while so important a

question of domestic reform as the separation of judicial and executive functions in the administration of criminal justice cannot be taken up for the alleged want of funds. Salaries should be fixed according to the importance of the duties to be performed and the market price of the labour of men competent to discharge those duties. This was practically the recommendation of the Public Service Commission: they say (page 85 of the Report):—"The Commission would adjust the conditions of the provincial service by the consideration of the terms which are necessary to secure locally in India the desired qualifications." Formerly this principle was recognised, and the scale of pay was not varied according to the nationality of incumbents. If the same principle is re-affirmed and the salaries of appointments which, on political grounds, need not be reserved for Europeans, be fixed with reference to the plentiful supply of competent Indian labour, a very much lower scale of pay would be sufficient, and if a European were to be appointed to any of these offices he should not get more than the pay so fixed, in the shape of Exchange Compensation Allowance or otherwise. A large saving could be effected in this way. In case of appointments reserved for Europeans on political grounds, or for British interests mainly, it is only right and proper that there should be an apportionment of charge between England and India.

19,420. I think that only leaves us the question of the apportionment of charges?—Yes.

19,421. (*Sir James Peile.*) You have been pressing very strongly the small amount of employment of natives of India?—Yes.

19,422. And you have been pointing out, especially, the particular departments in which a great number of Europeans are employed, to illustrate your doctrine. I should like to ask you this question. Do you, or do you not, admit that, on the whole, the policy of the English Government has been in the direction of giving increased employment to natives of India in the public service?—Certainly, but we would wish that the policy was more progressive.

19,423. You want them to go faster?—Yes, you have not gone sufficiently fast.

19,424. For you?—I think for all of us; for you too.

19,425. Do you mean, to satisfy us?—You have been giving, I mean, the English people have been giving us up to this moment promises and pledges, and so forth, and our contention is that those pledges have been inadequately redeemed; they can only be adequately redeemed by a larger employment of the people of India.

19,426. Let me call your attention to one fact, that is, that in every engagement, and in every proclamation and statute, there has been one condition laid down, and that is the condition of fitness?—Our contention is that we are fit, more so than you choose to employ us, we are handicapped by your holding these examinations in England, and not simultaneously in India and in England.

19,427. The Government of India, of course, has to judge in every case whether a sufficient standard of fitness has been attained, and I think that its conclusions must be accepted, must they not? You are quite right to agitate, no doubt?—I think, if you will permit me to say so—and I will speak with the utmost candour—the Government of India and ourselves stand in a somewhat conflicting position in regard to this matter. The Government of India is government by the civil servants of the country, and, naturally enough, the civil servants of the country would like to keep their own preserves.

19,428. Has not the Government always been admitting natives more and more freely?—Slowly, very slowly; much more slowly than the progress of the country would justify.

19,429. That is for them to decide?—It is for us also to have something to say about the matter.

19,430. You are quite entitled to your opinion?—That is what we say; and what possible objection could there be to holding this simultaneous examination in India and England, except the belief that there would be such a number of successful natives that the English candidates would be swamped.

19,431. I see the greatest objection?—There we are not likely to agree.

19,432. (*Chairman.*) That leaves us now the question of the apportionment of charges?—With regard to the second part of the reference, viz., the apportionment of charges for purposes in which both countries are interested, I beg to observe that Indian public opinion supports the view that India should be chargeable with the cost of the Native Army necessary for the maintenance of internal peace, but that the European Army and the European officers in the Native Army being quite as much necessary for British as for Indian interests, the British Exchequer should in justice pay a fair share towards their maintenance. With regard to the North-Western frontier wars, much has already been said, and I shall only repeat that as these wars concern the interests of both countries the expenses connected therewith should be equitably adjusted between them. If in this adjustment there should arise differences of opinion as to the proportion to be paid between the two countries, some machinery for arbitration should be devised.

19,433. With reference to that point I will only ask you one question. Do you admit that India is interested in keeping a sufficient force to maintain her own frontier from invasion?—She is interested, but England is also interested—that is what we say—for the maintenance of British supremacy.

19,434. Supposing that India were not dependent upon England, India would still be interested in keeping her own frontier from invasion?—Certainly.

19,435. And, therefore, to whatever extent India keeps up a reasonable force for the purpose of safety from invasion, would you go so far as to say that for that purpose India should pay?—Not exclusively, because keeping out a foreign enemy from Indian soil at the present moment, under existing circumstances, is as much the interest of England as it is the interest of India, having regard to the relations between the two countries, and the maintenance of British supremacy. ¶

19,436. In the Army Commission report of 1879—I am not quite sure of the year, but I think it was 1879—they classed the countries from which danger might be apprehended. Naturally speaking, there is Afghanistan, Russia, and Nepal. Take Nepal; do you think we sitting here in England are very much interested, or interested to any extent you can speak of, compared with what the Indians are who live in the neighbourhood of Nepal; is not the matter much more important to them that the Nepaulese, if they choose to quarrel with us, should not be able to overrun the country?—We are more interested than you are, but at the same time, inasmuch as you are interested, we want that you should pay according to the measure of your interest.

19,437. And, of course, in return, inasmuch as the two empires are connected, you are interested—I should not have otherwise put forward this point—you are interested in our being safe from invasion, and *per contra*, you should be at once ready to subscribe to keep us free from being invaded by France?—Is that within the range of practical politics, that India should come to the assistance of England?

19,438. Very much so; they are two relative obligations. If we are interested in saving the plains of India from being devastated by the Nepaulese, Indians are interested in keeping the plains of England from being devastated by the French?—I certainly accept the principle which your Lordship has suggested, subject to practical limitations and consequences.

19,439. (*Sir William Wedderburn.*) I would refer you to the report of the Public Service Commission, paragraph 58. I think that that seems to restrict certain appointments; it is with reference to what Sir James Peile has referred to. That recommendation seems to restrict certain appointments, not to Englishmen, but to the condition of their being recruited in England?—Yes, that is so—that the recruitment should be made in England only; that is to say, it does not refer to the race, but to the place where the recruitment is to be made.

19,440. So that, according to that, we might suppose that an Indian might equally be recruited in England as an Englishman?—Certainly.

19,441. (*Sir James Peile.*) Will you read the second qualification; there are three, A, B, and O?—That recruitment should be made in England only for principalships of colleges, professorships in those branches of knowledge in which the European standard of

question of domestic reform as the separation of judicial and executive functions in the administration of criminal justice cannot be taken up for the alleged want of funds. Salaries should be fixed according to the importance of the duties to be performed and the market price of the labour of men competent to discharge those duties. This was practically the recommendation of the Public Service Commission: they say (page 85 of the Report):—"The Commission would adjust the conditions of the provincial service by the consideration of the terms which are necessary to secure locally in India the desired qualifications." Formerly this principle was recognised, and the scale of pay was not varied according to the nationality of incumbents. If the same principle is re-affirmed and the salaries of appointments which, on political grounds, need not be reserved for Europeans, be fixed with reference to the plentiful supply of competent Indian labour, a very much lower scale of pay would be sufficient, and if a European were to be appointed to any of these offices he should not get more than the pay so fixed, in the shape of Exchange Compensation Allowance or otherwise. A large saving could be effected in this way. In case of appointments reserved for Europeans on political grounds, or for British interests mainly, it is only right and proper that there should be an apportionment of charge between England and India.

19,420. I think that only leaves us the question of the apportionment of charges?—Yes.

19,421. (*Sir James Peile.*) You have been pressing very strongly the small amount of employment of natives of India?—Yes.

19,422. And you have been pointing out, especially, the particular departments in which a great number of Europeans are employed, to illustrate your doctrine. I should like to ask you this question: Do you, or do you not, admit that, on the whole, the policy of the English Government has been in the direction of giving increased employment to natives of India in the public service?—Certainly, but we would wish that the policy was more progressive.

19,423. You want them to go faster?—Yes, you have not gone sufficiently fast.

19,424. For you?—I think for all of us; for you too.

19,425. Do you mean, to satisfy us?—You have been giving, I mean, the English people have been giving, us up to this moment promises and pledges, and so forth, and our contention is that those pledges have been inadequately redeemed; they can only be adequately redeemed by a larger employment of the people of India.

19,426. Let me call your attention to one fact, that is, that in every engagement, and in every proclamation and statute, there has been one condition laid down, and that is the condition of fitness?—Our contention is that we are fit, more so than you choose to employ us; we are handicapped by your holding these examinations in England, and not simultaneously in India and in England.

19,427. The Government of India, of course, has to judge in every case whether a sufficient standard of fitness has been attained, and I think that its conclusions must be accepted, must they not? You are quite right to agitate, no doubt?—I think, if you will permit me to say so—and I will speak with the utmost candour—the Government of India and ourselves stand in a somewhat conflicting position in regard to this matter. The Government of India is government by the civil servants of the country, and, naturally enough, the civil servants of the country would like to keep their own preserves.

19,428. Has not the Government always been admitting natives more and more freely?—Slowly, very slowly; much more slowly than the progress of the country would justify.

19,429. That is for them to decide?—It is for us also to have something to say about the matter.

19,430. You are quite entitled to your opinion?—That is what we say; and what possible objection could there be to holding this simultaneous examination in India and England, except the belief that there would be such a number of successful natives that the English candidates would be swamped.

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19,441. (*Sir James Peile.*) Will you read the second qualification; there are three, A, B, and C?—That recruitment should be made in England only for principalships of colleges, professorships in those branches of knowledge in which the European standard of

advancement has not been attained in India. When the Indian has attained to that standard of advancement, he would not be excluded by this.

19,442. I do not think he is?—But, as it is, he would be under the new system.

19,443. No?—If you will allow me to read the last portion restricting Indian gentlemen with English University degrees to the Provincial Service.

19,444. I should say that if the Secretary of State chose to appoint Professor Bose, and certainly no man could be more worthy to be appointed than he, to a professorship on the terms on which professors are recruited from England, there is nothing, as far as I know, to prevent that being done. The question has not come up, as far as I know, and it may hereafter have to be decided; but, as the matter stands, I should say that there certainly is nothing in anything the Secretary of State has said, in his orders on the Public Service Commissioners' Report, which would exclude Professor Bose from ranking as an educational officer appointed in England by the Secretary of State, and with the conditions which attach to such appointment?—As I read the scheme, I have given my interpretation; but I should be very glad, indeed, if the Secretary of State would appoint in the way you have suggested; that would be certainly relaxing it.

19,445. I do not say that he would, except in very exceptional cases, that is to say such a case as that of Professor Bose?—So that practically the higher service is closed to us; it comes to that.

19,446. No; but the recruitment should be in England?—The recruitment shall ordinarily take place in England, and those Indian gentlemen who take degrees in the universities of England, Scotland, and Ireland, shall ordinarily be appointed to the Provincial Service. Putting the two things together it comes to this, that we are excluded from the higher grade service.

19,447. Native gentlemen are ordinarily to be recruited in India for the Provincial Service?—Even those who take degrees in this country, are to be relegated to the Provincial Service. That seems to exclude us from the higher service.

19,448. (*Chairman.*) I only wish to ask this in conclusion. The impression left upon my mind, from the evidence you have been so good as to give us, has been this. You have pointed out—as it appeared to me, very reasonably—a great many defects; and, further than that, you have brought very clearly before us the directions in which you would impress upon the Commission improvements in the methods of Indian administration ought to be sought. At the same time you have spoken of there being a stoppage of Parliamentary inquiries into Indian affairs, and you appear to be under the impression that a great deal of consideration is wanted on the part of those responsible for the Government of India in the way of granting further rights to the Indian community. Taking these 40 years, since the Crown took over the Government of India, has there not been a very steady progress in the direction of admitting Indians to a greater share in their Government, and in decentralization; that is to say, giving the provinces a greater power over their own finance, all of which is progress in the direction which you advocate? Is not the real difference between you and the Indian Government rather in the rate of progress than in the fact that the policies are much opposed?—Our policies are not opposed. I, and those whom I represent, regard the Indian Government as a progressive Government; if we did not, we should not be here giving our evidence. But, we think, having regard to the wonderful progress which the country has made since the assumption of the Government by the Crown, in the words of a great writer “the India of Lord Ripon” is no more like the India of Lord Ellenborough than “the England of Queen Victoria is like the England of Queen Anne”—having regard to the wonderful progress of the country, we do not consider that the progress made by the Government has been adequate to meet the requirements of the country. That is the whole of our case; it ought to be much faster.

The witness withdrew.

Adjourned till Friday next at 11 a.m.

Confidential.

INDIAN EXPENDITURE
COMMISSION.

At the India Office, Downing
Street, S.W.

Forty-Eighth Day.

Wednesday, 21st July 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN) PRESIDING.
The Rt. Hon. W. L. JACKSON, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, G.C.B.,
G.C.S.I.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.
Mr. COLIN G. CAMPBELL, *Secretary*.

Mr. STEPHEN JACOB, C.S.I., recalled and further
examined.

19,873. (*Chairman*) Mr. Jacob, I think the points upon which the Indian Government desire through you to give some supplementary information to the Commission are, first of all, the provincial assignment question, and next, the question of the admission of natives to the higher employment in India?—Yes, that is so.

19,874. I propose, in the first instance, to put to you some questions on the subject of provincial expenditure?—Yes.

19,875. You have been good enough to draw up a couple of memoranda upon the subject, which the Commission have seen, have they not?—I believe so.

19,876. We have received evidence intended to show that the provincial contract system has not succeeded, to say the least, so well as had been anticipated, inasmuch as the Provincial Governments did not get their fair share on the periodical revision of the contracts, and that legitimate provincial expenditure is, in consequence, starved. How does the Central Government of India meet that statement?—An appeal may be made to the actual figures of provincial expenditure for the past 20 years, which show what the rate of progress in that expenditure has been. And this appeal may be made either to the figures of the expenditure of all the Provincial Governments taken together, or to the figures for individual provinces, such, for instance, as Madras, Bombay, and Bengal to which the Indian gentlemen delegated to give evidence before the Commission have specially drawn attention.

19,877. Let us first take the expenditure of all the Provincial Governments together?—The following table shows for each year from 1877-78 to 1896-97 the net provincial and local expenditure of all the provinces taken together, other than that included under the railway revenue and irrigation accounts. From 1877-78 to 1881-82 I also exclude the charges for military works in Burma, and for the ecclesiastical department in Bombay, which were then provincialized, but have ever since been Imperial. Provincial expenditure, I may explain, cannot properly be considered alone. The two branches, provincial and local, are not

separated on the same lines in all provinces; in all they are more or less mixed up, and transfers are frequently made from one to the other. I have given in the Table the average for each contract. The figures in the Table represent thousands of Rx. Thus 8,573 means Rx 8,573,000. The Table A., which I also put in, reconciles my figures with those given in Table XXI. (p. 72 of Vol. II. of the Commission's first Report), and I do not propose, therefore, to point out in detail the causes of their disagreement with those given by other witnesses.

TABLE of PROVINCIAL and LOCAL NET EXPENDITURE for all PROVINCES, 1877-78 to 1896-97.

Year.	Thousands of Rx.		
	Total Net Expenditure.	Total for Quinquennial Period.	Yearly Average for Quinquennial Period.
1877-78 -	8,573	45,712	9,142
1878-79 -	9,205		
1879-80 -	8,832		
1880-81 -	9,140		
1881-82 -	9,952		
1882-83 -	11,620	57,686	11,537
1883-84 -	11,262		
1884-85 -	11,660		
1885-86 -	11,811		
1886-87 -	11,833		
1887-88 -	11,549	61,365	12,273
1888-89 -	11,775		
1889-90 -	12,138		
1890-91 -	12,545		
1891-92 -	13,358		
1892-93 -	13,351	68,977	13,795
1893-94 -	13,416		
1894-95 -	13,545		
1895-96 -	13,865		
1896-97 -	14,800		

19,878. You exclude, I observe, the railway revenue and irrigation accounts; why do you do so?—Because they are commercial services, which are of an entirely different nature from the ordinary Government expenditure, and are administered on different principles. Also they have been treated in varying methods in the different provinces, and under the several periodical arrangements.

19,879-80. Can you fairly compare the figures of one quinquennial period with those of another?—There have been some variations in the contracts, but generally they are so slight that they do not materially affect the comparison of the figures of one contract with those of another. The exception is in the case of the first contract, on the close of which super-annuations (previously provincialised in three provinces only) and medical establishments were provincialized; and Madras, which had till then been working under the generally superseded system of 1871, was brought into line with the other provinces. These changes necessitate an adjustment of about Rx. 830,000 in comparing the results for the first contract with those of the later contracts.

19,881. But, on the whole, in Madras you prefer merely to compare the three quinquenniums, whereas in Bombay and Bengal you compare the four, do you not?—Yes, in comparing the individual provinces I have done that, but in taking the provincial expenditure as a whole, I have thought it right to make the adjustment just mentioned so that we may go back 20 years.

19,882. You have taken the four quinquennial periods and compared them: can you tell us the average population of British India in each of these quinquennial periods?—Roughly speaking, the average population for each quinquennium may be taken as follows (including Upper Burma and Beloochistan, which were annexed during this period, and whose expenditure is not provincial).—

1877-78 to 1881-82	-	-	198,000,000
1882-83 to 1886-87	-	-	205,000,000
1887-88 to 1891-92	-	-	214,000,000
1892-93 to 1896-97	-	-	225,000,000

19,883. That is an increase of about 12 per cent., is it not, on the fourth compared with the first period?—Rather more than 12 per cent.

19,894-5. A little over 12 per cent.?—Yes, between 13 and 14 per cent.

19,886. Perhaps you will give the provincial expenditure?—Allowing for the adjustment I have mentioned, the following Table shows the increase for each contract over the last:—

Period.	Average Yearly Expenditure	Increase over previous period.	Increase over first period.
1877-78—1881-82	9,972	—	—
1882-83—1886-87	11,537	1,565	1,565
1887-88—1891-92	12,273	736	2,301
1892-93—1896-97	13,795	1,522	3,823

Thus the scale of provincial and local expenditure has increased in three quinquennial periods by more than 35 per cent., and if we compare the first year (1877-76) with the last normal year (1895-96—the following year, 1896-97 being a famine year) the increase amounts to 48 per cent.

19,887. Can you now give us what the Imperial expenditure was in those quinquenniums?—The Imperial net expenditure for each quinquennium was as follows:—

Year.	Thousands of Rs.				Imperial Net Expenditure, excluding Exchange.
	Imperial Net Expenditure.	Exchange included in column 2.			
		On English Charges.	On British Soldiers' Pay.	Total.	
1877-78	33,206	1,368	—	1,368	31,838
1878-79	29,184	1,843	—	1,843	27,341
1879-80	34,993	1,862	—	1,862	33,131
1880-81	37,363	1,284	—	1,284	36,079
1881-82	29,201	1,373	—	1,373	27,828
Total -	163,947	7,730	—	7,730	156,217
Average -	32,789	1,546	—	1,546	31,243
1882-83	29,109	1,874	—	1,874	27,235
1883-84	29,709	2,216	46	2,262	27,447
1884-85	28,571	2,111	184	2,295	26,276
1885-86	31,826	2,611	224	2,835	28,991
1886-87	30,735	3,241	276	3,517	27,218
Total -	149,950	12,053	730	12,783	137,167
Average -	29,990	2,411	146	2,557	27,433
1887-88	32,502	3,967	437	4,404	28,098
1888-89	31,513	4,087	517	4,604	26,909
1889-90	32,206	3,907	632	4,539	27,667
1890-91	32,188	3,023	587	3,610	28,578
1891-92	35,536	4,251	407	4,658	30,878
Total -	163,945	19,235	2,580	21,815	142,130
Average -	32,789	3,847	516	4,363	28,426
1892-93	37,038	6,094	612	6,706	30,332
1893-94	36,839	6,242	852	7,094	29,745
1895-96	37,530	7,926	1,134	9,060	28,470
1895-96	38,015	7,129	1,156	8,285	29,730
1896-97 } Revised }	36,883	6,264	1,108	7,367	29,516
Total -	186,305	33,655	4,857	38,512	147,793
Average -	37,261	6,731	971	7,702	29,559

19,888. Excluding exchange, the Imperial expenditure during that time has fallen from $31\frac{1}{2}$ millions to a little

over 20½ millions?—Yes, but the figures of the first quinquennium are vitiated for comparison with subsequent years, owing to the inclusion of special famine charges, and of the Afghan military operations.

19,889. Then, on the whole, would you prefer to take the second quinquennium as the basis for comparison?—Yes, I think that would show the more normal increase.

19,890. And, in that case, the increase has been from Rx. 27,433,000 to Rx. 29,559,000, has it not?—Yes.

19,891. Being an increase of a little over two million Rx. ?—Yes, two million Rx.

19,892. That would be under 8 per cent., would it not?—Yes, it is 7·7 per cent. exactly.

19,893. As against an increase on the provincial expenditure of 38 per cent. which I think you put for the whole period, did you not?—Yes, but for this period—.

19,894. If you take the second quinquennium as your basis, as you did in the case of the Imperial expenditure, what would it be?—It is about 20 per cent.—19·6 per cent. exactly.

19,895. (*Sir Andrew Scoble.*) But during that period the provinces have remained subject to practically the same duties, whereas the duties of the Empire have been increased by the addition of Beloochistan and Burma?—Yes, that is so.

19,896. (*Chairman.*) Therefore you would state, as the result of the provincial contract system, that over three quinquenniums the increased assignments to the provinces are represented by 20 per cent., while the increase of the Imperial expenditure has been, we will call it, 8 per cent.?—That is the Imperial expenditure apart from exchange.

19,897. Apart from exchange?—Yes.

19,898. Exchange enters for a very small sum into the provincial expenditure, does it not?—Yes, to a very small extent. I may say that in the exchange here I have not included exchange compensation.

19,899. I was about to ask you if the exchange-compensation allowance is not included?—No, I have merely included the exchange on English charges and on the British soldiers' pay, which is a thing over which the Indian Government has no control whatever. The exchange compensation does enter into the provincial account to proportionately very nearly the same extent as it enters into the Imperial account.

19,900. Do you know the sum to which it amounts?—Yes, I can give you the figures. The exchange compensation only occurs in the last quinquennium. It accounts for an increase of Rx. 463,000 under Imperial, and of Rx. 234,000 under provincial. That is very much the proportion of the provincial and the Imperial expenditure.

19,901. You may say, perhaps, that, excluding the compensation allowance, the average for the last quinquennium of provincial expenditure would be a little over 13½ millions, would it not?—Yes.

19,902. And you would argue upon these results that it is not correct to say that the provincial services have been starved under the contract system?—Yes, that would be my argument. As far as the resources of the Government have been available, I would submit that these figures indicate that the Provincial Governments have had their full share of them.

19,903. Now, in the revenue which was raised to enable the Imperial Government to discharge this last quinquennial liability of Rx. 37,261,000 (including exchange) is included a certain amount of revenue due to increased taxation, is it not?—Yes.

19,904. That increased taxation was put on simply to meet the Imperial charges, was it not?—Yes.

19,905. And therefore, so far, the provinces would not be entitled to any share of that?—Yes, that is so.

19,906. And, if we were to compare that amount of revenue, in which the provinces may fairly claim a share, that is to say, if we were to deduct from the Imperial revenue that amount of extra taxation which has been imposed solely for Imperial purposes, we should have an increase on the part of Imperial revenue decidedly less than this 8 per cent.; would not that be the result?—Yes, that would be so.

19,907. In fact, you and the Indian witnesses agree very nearly in putting the increase of taxation for those

special purposes at a little over two millions per year—22,000,000 on the decade, is it not?—Without going into details, it would, in all probability, mean, would it not, that the Imperial share had not risen at all, if you put aside this special taxation?—Yes, that would be, broadly, the result.

19,908. While the provincial shares have increased in this ratio of very nearly 20 per cent. ?—Yes.

19,909. Do you think that these increases, which we will call 20 per cent. in 10 years, satisfy the fair requirements of Provincial Governments?—I think it satisfies their fair requirements, so far as the resources of the Government of India enable them to meet those requirements. No one who has any acquaintance with India would deny that there are in every province most valuable projects which might be undertaken if the funds for carrying them off were available, but the question every time for consideration is to what extent we can meet those requirements, keeping in view existing resources, or the necessity for increased taxation.

19,910. May I put it to you thus: If there had been no increased charge for exchange and no increase in army expenditure, there would have been a considerable surplus?—Yes, that is so.

19,911. Do you think that the Indian Government would in that case have increased the provincial assignments, or would they have preferred to reduce taxation?—I suppose that they would probably have done both of those things. They would probably have to some extent reduced taxation, and would also have allowed some further expenditure on internal improvements.

19,912. That is to say, you do not bind yourself down to saying that the Indian Government hold that the 20 per cent, though you consider that it is a fair share to give to the province the revenue available, fully meets even what we may call the legitimate demand of the province?—No, I should not profess to say that at all.

19,913. (*Sir Andrew Scoble.*) Take the case of the salt tax, for instance, that was raised in 1887-88 or in 1888-89?—In 1888.

19,914. Has it not always been, so far as you are aware, a laudable object of the Government of India to reduce the salt tax back again at least to what it was in 1888?—Yes, I should say that it had that object constantly before it.

19,915. (*Chairman.*) Now take Bombay; how are your totals there made up?—The figures given in the Table B., which I put in,* give full details of the expenditure in each year from 1877-78 to 1896-97, and the average yearly expenditure for each quinquennial period, for all the Civil Departments (the principal departments in detail), for miscellaneous, and for public works; in fact, they include the whole of the provincial and local charges, except—

- (1.) Direct demands on the revenue, which are usually taken as deductions from the principal revenue heads.
- (2.) Commercial services (Post Office, Railway Revenue, and Irrigation accounts).
- (3.) Ecclesiastical, political, and interest which have been provincial during a part only of the period covered by the table.

19,916-7. In regard to the direct charges, are those appropriations to Native States and pensions to Princes, or what are they?—They are the charges for the collection of the revenue, assignments from the revenue, and refunds.

19,918. What do you call assignments from the revenue?—Assignments under agreements made with the object of increasing, either directly or indirectly, the revenue. For instance, when we took over the salt tracts in Central India we agreed to make certain yearly payments to the Native State Governments which made over those salt tracts to us.

19,919. In reality those payments are collection charges?—Yes.

19,920. They would come under that general head?—Yes.

* See Appendix

19,920a. Perhaps you would mention to us the most important figures in your table?—From that table I will read to the Commission the figures for the opening and closing years, and the average for each quinquennial period. I also show the percentage of increase between 1877-78 and 1896-97.

Year or Period.	Thousands of Rs.										
	Civil Departments.								Miscellaneous.	Public Works (including Railway Construction and in one year Famine Relief).	Grand Total.
	General Administration.	Law and Justice (Courts).	Law and Justice (Jails).	Police.	Education.	Medical.	Other.	Total.			
1877-78	125	445	117	439	210	134	27	1,497	196	293	1,986
Average:—											
1877-78—1881-82	123	438	108	414	211	132	27	1,448	188	429	2,065
1882-83—1886-87	128	444	65	482	267	141	37	1,564	217	605	2,386
1887-88—1891-92	137	437	61	530	304	145	26	1,640	239	636	2,515
1892-93—1896-97	148	454	66	569	334	173	28	1,772	279	652	2,703
1896-97	154	457	69	613	345	188	29	1,855	299	729	2,883
Percentage of increase:—											
Last year over first year.	23·2	2·7	41·	39·6	64·3	40·3	7·4	23·9	52·6	148·8	45·2
Last quinquennium over first quinquennium.	20·3	3·6	35·9	37·4	58·3	31·1	3·7	22·4	48·4	52·	30·9

19,921. What does that head "other" under the "Civil Departments" comprehend; it is not a very large one, I think?—No, it merely includes one or two departments which I did not think it necessary to specify in detail; they are the Marine and Scientific and minor Departments.

19,922. Then there is rather a large head outside the Civil Departments called "Miscellaneous." What does that consist of?—That consists of superannuation charges, stationery and printing charges, and the charges included under the major head of Miscellaneous, the nature of which I explained before to the Commission at a previous examination.

19,923. You do not bring superannuation under the Civil Departments?—No.

19,924. Is it not a charge on the Civil Department?—Yes, it appertains to the Civil and to the Public Works Departments; it includes all the departments except the Military. It is always taken under the subdivision of Miscellaneous in the accounts.

19,925. Well, what is the increase of the fourth quinquennium over the first?—The total increase of the last quinquennium over the first quinquennium is 31 per cent—Rs. 2,065,000 to Rs. 2,703,000. Then in each department almost there has been an increase; 20·3 per cent. under general administration, 3·6 per cent. under law and justice (courts), 37·4 per cent. under police, 58·3 per cent. under education, 31·1 per cent. under medical, 3·7 per cent. under other heads. There has been an increase in expenditure on gaols of 35·9 per cent. The total increase under civil departments is 22·4 per cent. In miscellaneous the increase is 48·4 per cent., and in public works 52 per cent.

19,926. Now, taking that very large heading of the civil departments, I see the percentage of increase on quinquenniums varies very little from the increase by comparison of the first and the last year; is not that the case?—That is the case for the total, but it is not the case for individual departments.

19,927. No, but, on the whole, the comparison of the first and last years varies very little indeed from the comparison of the averages for the quinquenniums?—Yes, for civil departments it does, but for the whole expenditure the percentages in that case are 31 per cent. and 45 per cent.

19,928. But the year 1896-97 includes famine expenditure, does it not?—Yes, but that affects the amount but slightly in Bombay.

19,929. (*Sir Ralph Knowl.*) Which of these departments has the heaviest charge for superannuation which is included in Miscellaneous?—I suppose it is understood that these figures include only the superannuation charges in India, not those which are paid in England.

19,930. Oh, they do not include those which are paid in England?—No, they include only the provincial charges, that is, those paid in India, I suppose the Police and Public Works Departments, Land Revenue, and Judicial would account for the greater part of it.

19,931. Then, even taking Law and Justice, there seems to be a very small increase in the effective, but there may be a very heavy increase in the non-effective?—There certainly is a heavy increase in the non-effective.

19,932. And those figures do not include the whole increase? There would be another heavy charge for home payments?—Very large, yes. As regards the small increase in Law and Justice (courts), I have already explained to the Commission the reason for that in Bombay.

19,933. Transfers?—Partly it is due to transfers, partly to a decrease of expenditure in the High Court, and partly to the fact that the standard of expenditure in Bombay was much higher than in the other provinces at the beginning of this period.

19,934. (*Chairman.*) Now, you have given us on the second page of your memorandum a table of the provincial expenditure in detail, but on the next page but one, page 4, you give the provincial and local expenditure, which amounts in the year 1892-93 to Rs. 2,202,000?—I beg your Lordship's pardon, I am giving there the revenue, not the expenditure.

19,935. Oh, not the expenditure. You say the total, for the year 1877-78, of the revenue is Rs. 1,757,000?—Yes.

19,936. While the expenditure in that year is Rs. 1,986,000?—Yes.

19,937. How would the difference between those two sums be met? Out of balances?—Yes. The Provincial Governments constantly spend less in one year and more in another, owing to their either accumulating funds, or spending from their balances.

19,938. Well, then you give the Imperial revenue in Bombay on page 4, do you not?—Yes.

19,939. What do you call the Imperial revenue in Bombay? Is it the amount of the duties collected in Bombay which are assigned, are they, to the Central Government?—Yes.

19,940. Is there not some misapprehension on that head? Do not the Provincial Governments, as it were, charge the Imperial Government with a large amount of expenditure under this head, which is in reality local expenditure?—Yes.

19,941. I am speaking of such things in Bombay and in Madras as the Army, would you not hold that to be a Bombay or Madras charge rather than an Imperial charge, in the sense in which we are speaking?—Yes, I think so. The Government of India had occasion to draw attention to that point in their correspondence with the Government of Madras regarding the last revision of the settlements, perhaps I might read their remarks to this Commission.

19,942-3. Perhaps you would give us the quotations from that letter, would you?—“The Government of India are aware that one effect of the system of provincial finance is to cause that part of the revenue of each province which is not appropriated to provincial uses—that is, in a general way, spent upon the local civil administration—to be regarded as in some way ‘contributed to the Imperial fisc.’ This view appears continually in public discussions, but a view of Indian finance which regards the sums appropriated to such purposes as (1) the maintenance of the Madras Army; (2) the payment of leave allowances and pensions of Madras officers; (3) the loss upon the Madras railway, (4) the Carnatic and Tanjore stipends, and other numerous similar charges as a Madras contribution to the Imperial fisc, is one so essentially erroneous that the Government of India take for granted that the Government of Madras do not use this expression in the sense in which it is often publicly used, and merely mean to assert something of the same kind as the Chamber of Commerce, when it says that ‘Madras contributes more than its fair share towards Imperial revenues.’”

“ With reference to this statement and to the statement in your letter that the direct outlay incurred by Government in other provinces is proportionately much greater than in Madras, I am to say that the Government of India not only do not admit the truth of them, but are not aware that at any time any attempt ever has been made to establish them by examination of the facts and figures bearing upon them.”

19,944. That quotation, in fact, shows that a considerable part of what is called Imperial expenditure, inasmuch as it is disbursed by the Imperial authority and on behalf of the Central Government, is in reality provincial expenditure?—Yes, and therefore weakens the force of such comparisons which has been made between the expenditure, on the one hand, of the central Government of the German Empire and the various States which make up that Empire, and, on the other hand, of the Imperial and Provincial expenditure of India.

19,945-6. Now, turning to Madras, you have explained to us that, so far as Madras is concerned, you are only able to compare the three quinquenniums?—Yes.

19,947. (*Mr. Naoroji*) May I just put one question? Though this army expenditure and other expenditure that was just now mentioned is incurred in Madras, still, however, it is simply a matter of the convenience and the arrangements of the Imperial Government that so much is in Madras or Bombay, or any part of India, is it not? I just want to understand it. It is strictly Imperial expenditure and not provincial expenditure, as far as I can understand?—It depends upon what you define as Imperial expenditure. It is Imperial expenditure in the sense that it is incurred by land charged against the Imperial Government directly.

19,948. Yes, and is not this Army expenditure, and other expenditure that was mentioned just now as being more provincial than Imperial, really Imperial expenditure under the control of the Imperial authorities? Is not it for the convenience only of the arrangements of the Army and for other Imperial purposes that they happen to be in this locality, or in that locality; I only want an explanation?—I do not think it is a matter of convenience, I should rather say that the Army is distributed in the manner that experience has shown to be necessary.

19,949. Necessary for Imperial purposes?—In some cases necessary for the provinces.

19,950. But though it is the necessity of the provinces, still, however, it is under the control of the Imperial Government, and the whole thing is done by the Imperial Government, is it not?—That is admitted, and the expenditure is managed by the Imperial Government, and is, therefore, in the Indian sense of the term, Imperial expenditure; but the whole of the expenditure that is managed by the Imperial Government is not Imperial expenditure in the sense that it is incurred solely for Imperial purposes, as distinguished from the purposes of the individual provinces.

19,951. (*Chairman*.) My question to you, Mr. Jacob, was not intended to suggest that it was not expenditure for which the Imperial Government was responsible; but I wanted to bring out, what I think you have explained to us, that a large portion of this expenditure which is called Imperial really takes place in the province, and, therefore, that should be borne in mind in the contention between the Provincial Government and the Imperial Government?—Yes, that applies especially to such charges as those for superannuation. The whole of the superannuation charge incurred on the Indian accounts in England is an Imperial charge, though it is very largely for provincial establishments.

19,952. Now, in Madras, the increase of provincial expenditure on the Civil Departments considerably exceeds that shown in Bombay, though the Madras figures give only the increase in 15 years. Have you anything to say upon that?—I have drawn up a Table C. for Madras on the same lines as that for Bombay; but including, for the reasons already

explained, only three quinquenniums. The following figures summarize the table:—

Year or Period.	Civil Departments.								Miscellaneous.	Public Works (including Farmine Relief and Railway Construction).	Grand Total.
	General Ad- ministration.	Law and Justice (Courts).	Law and Justice (Gaols).	Police.	Education.	Medical.	Other.	Total.			
1882-83	113	384	90	378	183	153	52	1,353	237	602	2,192
Average :											
1882-83—1886-87	116	390	84	382	190	163	42	1,367	243	631	2,241
1887-88—1891-92	122	414	86	391	213	187	51	1,464	276	694	2,434
1892-93—1896-97	132	459	103	444	275	264	57	1,734	276	761	2,771
1896-97	132	459	100	465	279	271	61	1,767	291	823	2,881
Percentage of increase: Last year over first year.	16.8	19.5	11.1	23.0	52.4	77.1	17.8	30.6	22.8	36.7	31.5
Last quinquennium over first quin- quennium.	13.8	17.7	22.6	16.2	44.7	62.0	35.7	26.8	13.6	20.6	23.6

The increase is certainly larger in Madras.

19,953. Yes?—But I do not think that it is so much larger as to necessitate much explanation. It is 26.8 per cent. for the whole of the Civil Departments in Madras. I have not calculated it out for the same period for Bombay.

19,954-5. In Bombay it is 22 on the four quinquenniums?—Yes.

19,956. And 26 on the three quinquenniums, in Madras?—Yes, that is of course larger. As regards that, I may say that I have already explained that

The Bombay figures are as follows:—

Year.	Provincial & Local.		Imperial.		Total.
	Net Revenue in Thousands of Rs.	Percentage of Total.	Net Revenue in Thousands of Rs.	Percentage of Total.	
1877-78	1.757	22.6	5.006	77.4	7.763
1882-83	1.770	25.5	5.760	76.5	7.530
1887-88	2.126	23.9	6.771	76.1	8.897
1892-93	2.202	23.7	7.100	76.3	9.302

1887-88	2,341	29.9	5,491	70.1	7,833
1892-93	2,578	29.8	6,075	70.2	8,653

The Provincial percentage has risen from 27.7 in 1882-83 to 29.8 in 1892-93, and the Imperial has fallen correspondingly.

19,962. And, so far, the provinces have profited by the contract system, I understand, in a greater degree than the Imperial Government?—Yes, the result of the contract system has been that they have received this great increase in the proportion of their revenue. I think it was the intention of the provincial contract system that they should receive it, and they have received it.

19,963. And so far, I suppose, you would contend that the contract system has not been worked to the benefit of the Imperial partner in the matter?—No, not more than it proportionately should. X

19,964. As compared with the provincial?—No, I think not.

19,965. (*Mr. Mowbray.*) Although the increase in the Civil Department is more in Madras than in Bombay (26·8 as against 22·4), in the grand total of the provincial expenditure the percentage of increase in Madras is less than it is in Bombay, 23·6 as against 23·9?—Yes, but the Bombay percentage represents the increase for an extra quinquennium.

19,966-7. That accounts for it, you say?—Yes, partly; but the difference is also partly due to the very large increase in public works expenditure in Bombay. It is a matter entirely in the discretion of the Local Governments, whether they shall apply their revenues to public works or to the improvement of Civil Departments, and, undoubtedly, the Bombay Government has applied a much greater proportion of its increasing revenues to public works than Madras has done.

19,968. That is exactly why I wished to draw your attention to it, because I noticed that the increase of public works in Madras was only 20·6 and the increase in Bombay was 52·6?—Yes, that does partly account for the difference under Civil Departments.

19,969. (*Chairman.*) Now pass on to Bengal?—In Bengal there are four quinquenniums again, and the general result is very much the same in the case of Bombay and Madras. Making the necessary adjustments in the first year, and in the first quinquennium, on account of certain charges under Law and Justice (Courts), medical and superannuations provincialised for the first time in 1882-83, the following figures, abstracted from the detached Table D.,* which I hand in, show that there has been in the last quinquennium, as compared with the first, an increase in the total provincial and local expenditure of 2½ per cent.

Year or Period.	Civil Departments.									Miscellaneous.	Public Works (including Famine Relief and Railway Construction).	Grand Total.
	General Administration.	Law and Justice (Courts).	Law and Justice (Gaols).	Police.	Education.	Medical.	Marine.	Other.	Total.			
1877-78	140	673	165	445	257	174	127	32	2,013	253	554	2,820
Average:												
1877-78—1881-82	150	702	173	413	260	156	114	38	2,006	256	778	3,040
1882-83—1886-87	170	778	169	467	325	142	87	39	2,177	272	792	3,241
1887-88—1891-92	184	818	186	537	354	157	102	35	2,373	292	762	3,427
1892-93—1896-97	202	880	218	620	375	194	90	48	2,627	337	833	3,797
1896-97	206	889	247	647	388	215	88	69	2,729	342	1,125	4,196
Percentage of increase:												
Last year over first year.	47·1	32·1	49·7	45·4	51·0	23·6	-30·7	53·1	35·6	35·2	103·1	48·8
Last quinquennium over first quinquennium.	34·7	25·4	26·0	50·1	44·2	24·4	-21·1	26·3	31·0	31·6	7·1	24·9

19,970. And this increase of what we may call 25 per cent. compares with an increase of 31 per cent. in Bombay, and in Madras, with a smaller number of years as a basis of comparison, 23½ per cent. ?—Yes.

* See Appendix

19,971. How do you account for the rate of increase being so different in the different provinces?—I think such small differences are unavoidable under the existing provincial system, and would be unavoidable under any system that could be devised; the object of the Government of India at each revision has, however, been to modify the settlements so as to make them equal as far as possible. The tendency during the continuance of one provincial settlement may for various reasons, be to give one province a greater advantage than another, and the whole of the advantage resulting from that tendency cannot be summarily annulled at the end of the contract, but the Government of India has in the revision always taken into consideration the advance that has been made by a province during the term of the last contract. The case of Bengal is a very good illustration of that. It will be seen that a very large portion of the advantage in Bengal accrued in the first quinquennial period. The result has been that in the later quinquennial periods Bengal has not advanced so fast as the other provinces have, and this result has been intentionally brought about.

19,972. Might I describe the object of the Government of India as being not so much uniformity, but to give the different provinces equality of advantage?—Yes, I think so; I think that would express the intention of the Government of India.

19,973. I should like to ask a few questions as to the details of provincial expenditure. Now, education in Bombay shows an increase of 58 per cent. in the four periods, in Madras nearly 45 per cent., there being only three periods on which the comparison is based, and in Bengal 44 on the four periods. This increase is very large, but is not the complaint of the native witnesses rather that the sum set aside for education is too small in itself?—They certainly did advance that as one of the grounds of complaint, but the impression that I derived from their evidence was that the chief objection taken by them was based rather upon a comparison of the increase in provincial expenditure with the increase in the Imperial expenditure. A great part of their evidence was devoted to showing that the Imperial expenditure had increased at as large a rate as, or at a larger rate than, the provincial expenditure, and, as far as that is concerned, I submit that the figures do not bear out their contention.

19,974. Quite so, but the conclusion to which your figures point is that the increase on education has probably been as great in proportion, if not greater, than that on any other head of service?—Yes, I think so.

19,975. But do you not think that their criticism was upon the fact that the total sum set aside for education in the Empire was, at the starting point, so very small?—It is undoubtedly the case that under education, as well as under many other heads, the expenditure is, from one point of view, small, and might be increased with advantage, if unlimited funds were available; but that seems to me to be hardly a practical question. Perhaps I might read an extract from a letter of the Government of India to the Government of Bengal, which will acquaint the Commission with the Government of India's views upon that point.

19,976-7. Yes?—They say: "The Government of India have no doubt that in Bengal, as in other provinces, there are very many projects of expenditure which are pressing themselves upon the responsible Administration, and against which, as suitable and desirable in themselves, the Government of India have absolutely no objection to raise. But the sum of this desirable expenditure, taken all over India, is so vastly in excess of any possible means of meeting it, and of the amounts which the taxpayer of India can fairly or reasonably be required to make good, that the Government of India are repeatedly obliged to refuse to meet the demands of local governments and of departments, not because they in any way call in question the advisability of the proposals of expenditure laid before them, but because they do not consider it consistent with sound policy to admit them for the present as burdens upon the public treasury." And again, in the same letter, they say, with reference to the principles and practice of the Provincial system:—"In your present letter these principles and practice are set aside, not

“ only in matters of detail, but even in their broad and general aspect. Under the head of Education, the Provincial Government demands an assignment of Rs. 3,24,000 more than was proposed by the Government of India; under Medical, of Rs. 1,00,000 more; under Civil Works, of Rs. 14,60,000 more; and under the general description of ‘Undistributed,’ Rs. 3,50,000 more; under Contributions to Local Funds, of Rs. 4,15,000 more; total, Rs. 26,49,000, mainly because it considers it desirable that the scale of Provincial expenditure should be in the future increased beyond its present standard by these amounts. As to whether the proposed expenditure is desirable or not, the Government of India, as above explained, express no opinion; they merely say that the settlement of the Provincial allotment of revenue is not the matter in connection with which the question can be discussed. But it is surely an inversion of the whole principle and history of Provincial finance that one of the wealthiest provinces of India, after enjoying for five years an assignment of revenue which not only met all its current demands, but left a large and increasing balance to the good, suddenly discovers that this ample revenue requires to be largely supplemented, and makes a demand for an addition of 15 or 20 lakhs of rupees (the precise amount depends upon the estimate of railway earnings) to be made up from the common purse—that is, by the taxpayer outside Bengal as well as within Bengal—at the very moment when that common purse is being strained to the utmost to meet the demands of a dire calamity, and is called upon to furnish many tens of lakhs of rupees to feed the famine-stricken peasants within the area of Bengal itself. The Government of India can only say that the present is not a time when these demands can be entertained.”

19,978. That is a perfectly intelligible statement of the case of the Imperial Government, namely, that they have only a certain sum available for all the services of India, and that that sum in all probability is not sufficient to meet what may be called the legitimate demands of the provinces; but I wanted to elicit your view upon what I take to be the criticism of the native witnesses, namely, that the whole expenditure on education in India is very much too small. I think there can be very little question upon the point to which you have called attention, namely, that there has been a very large increase, proportional increase, on education within these 20 years, but that would not touch the question whether the initial sum upon which that percentage is based was not comparatively insignificant. For example, Rx. 210,000 in Bombay was the initial expenditure on education?—Yes.

19,979. Rx. 183,000 in Madras and Rx. 257,000 in Bengal. Now, I take it the critics say that that Rx. 800,000 was a totally insufficient sum to be devoted to education?—The Government of India, in the extract which I have read, say that they do not profess that the scale of expenditure is in every case adequate, but they think that the actual distribution must be judged with reference to the total resources of the Government of India; if, then, the expenditure on education is to be increased, it merely means either that the expenditure on some other Department must be decreased, or that there must be additional taxation.

19,980. (*Sir Andrew Scoble*.) I see, Mr. Jacob, that in one of your tables (Table A.)* you show that the expenditure on education in India has gone up from Rx. 939,000 in 1882-83 to Rx. 1,303,000 in 1896-97?—Yes.

19,981. And that shows an increase during that period of Rx. 364,000 and the percentage of that increase is 39?—Yes, that is so.

19,982. So that that would seem to show that the claims of education had not been in any way neglected by the various Governments throughout India?—That is the argument which I wish to submit to the Commission. As to whether the starting point was adequate or not, I do not suppose anybody would say that it was absolutely adequate; but I think, keeping in view the available resources, that the additional assignments, which have been made for education show that the Local Governments have appreciated the necessity of increasing that expenditure wherever they could.

19,983. As far as their means permitted?—As far as their means permitted.

19,984. (*Sir James Peile.*) I suppose the initial expenditure on education would depend on what the British Government found at the beginning of its rule in India?—Yes, and if we go back to an earlier period than that comprised in these tables, the increase has been something tremendous. The expenditure on education in 1856-57 was only Rs. 212,000; in 1895-96 it had risen to Rs. 1,536,000—that is to say, that in those 40 years it has grown six times as much as it was.

19,985. (*Mr. Mowbray.*) Is there any charge for education, which is Imperial and not provincial, in addition to these?—Only in Upper Burma and in a few of the very small provinces, such as Ajmere and Beloochistan, where the expenditure is charged as Imperial, though it is really the expenditure of the provinces.

19,986. (*Chairman.*) That argument of the increase might be applied in other States. If you go back 60 years with us, the charge of education has risen from *nil* to very many millions?—That, I would submit, strengthens. No one could suppose that India now is at all in the condition in which England was at the time when a system of general compulsory education was adopted; and as far as I can recollect, the expenditure in India upon education is far in advance of what it was from the public purse in England before the system of compulsory education was adopted.

19,987. Still, do you think that the Indian Government, supposing that there had been no increase in the charge of exchange and no increase in the Army, would have wished to increase to any great extent the expenditure on education?—I have no doubt they would have increased the expenditure on education to some extent, if they had been in those happy circumstances.

19,988. I am looking at the criticism made, as I understand it, that the expenditure on education in India is too small?—Yes.

19,989. The question is, do the Indian Government think that India does not need expenditure on education to the same degree that, we will say, we have it here, or would they say that they would like, if they had the means, to increase the expenditure on education very much?—I doubt very much if the Government of India would wish, under present circumstances, to largely increase the expenditure from general revenues upon education. I am, however, quite sure that it would not at all attempt at present to make education compulsory. I may add that full advantage is not taken even of the existing expenditure on education. There are many schools supported or aided by Government, which are by no means full. My own experience of district work enables me to say that with absolute confidence; that the educational resources which are placed at the disposal of the people are not fully utilised at present.

19,990. Then merely taking your own view and your own experience of the matter, would you put it in this way, that, if the Indian Government had money at their disposal, they would probably increase the appropriation for education; but that they would not measure the wants of India for education by the same sort of measure that we measure the wants for education here?—Certainly, I should say that.

19,991. Now again Law and Justice show in Bombay an increase of less than 4 per cent., in Madras of 17 per cent., and in Bengal of 25 per cent.; do you think the Indian Government would be satisfied with these figures, bearing in mind the increase of population, or would they wish to increase the appropriation, if they had the means?—I doubt if the expenditure on courts would increase very largely, even if the Government of India had more ample means. Of course, there is an increase which is necessitated by the increase of population, and I think that, except in Bombay, the increased expenditure has kept pace with that. There has also been some increase in expenditure owing to raising the salaries of subordinate judges and munsifs, the lower grades of judges, but I do not think the Government of India would raise their pay any higher at present, even if they had the means. I do not think that in the case of law and justice there would be any very large increase except possibly on the construction of court houses, which as it happens

would not be classified under the head of law and justice, but under public works; I think more expenditure would be incurred on that account probably.

19,992. Has it not been an objection to measures for separating judicial and executive functions that the expense would be a difficulty?—That is one of the objections, I do not think it is the sole objection; I should say that there are administrative objections which are equally as strong as the financial objection.

19,993. But my recollection is right, is it not, that the Indian Government did plead the increase of expense, as well as other reasons, in the matter?—I think that they would plead that reason, even if they had increased resources; that is to say that I think there are other objects to which they would first apply any increased resources rather than to the separation of the executive and judicial functions.

19,994. Of course, the increase in Bombay of 4 per cent. over 20 years is a very small one?—Yes, that I have already explained in a previous answer (Q. 19,983).

19,995. Perhaps I might ask very much the same question with reference to public works, though I do not know that their case is quite so striking as the other was?—There has been a very large increase in the expenditure on public works; undoubtedly there is room for an almost unlimited increase in that class of expenditure, and to whatever extent the Government of India could make resources available for that purpose I think they would. Good roads and means of communication are very much needed in many parts of India still.

19,996. We have heard from you that such services as irrigation, which are looked upon as of a commercial character, are excluded from those figures?—Yes, irrigation is.

19,997. Therefore it is merely ordinary Government buildings and roads that are included under the public works is it?—That is the chief expenditure. There is also included some small expenditure on the construction of railways, as indicated in the tables.

19,998. Are there any other useful services included under that head?—There are some which are called miscellaneous public improvements, and there is also expenditure on ferries and other means of communication. The expenditure is mostly for improving the communications and for Government buildings.

19,999. You may say that the Public Works as they are put down in your tables are confined to public buildings and communications?—Yes, almost entirely.

20,000. (*Sir Andrew Scoble.*) And water supply—I do not mean irrigation canals, but ordinary supply?—Yes, to whatever extent Government undertakes, that. It undertakes it to a very petty extent only.

20,001. (*Chairman.*) What do you mean by water supply; water supply in big towns?—No, that, of course, is municipal entirely; but occasionally expenditure is incurred on tanks for villages and rural districts.

20,002. (*Sir James Peile.*) Tanks and wells?—Yes.

20,003. (*Chairman.*) Objection has been taken to the quinquennial revisions; what is the reason which leads the Indian Government to prefer that method of adjustment to a more continuous system, say, allotting year by year a certain percentage of receipts to provincial needs?—This matter was one which was dealt with by Sir James Westland in the course of the last budget debate in the Legislative Council of the Government of India. I will, if the Commission will permit me, put in an extract from his speech relating to this point. But, briefly, his arguments are that while in a country like India expenditure must be progressive, and it is only reasonable to divert a portion of the increasing revenues to meet such expenditure, yet the first and primary claim upon the increasing revenues is that of the taxpayer; and that that claim cannot be satisfied if a permanent contract is made with the Provincial Governments or even if the contract is for a longer period than about five years. Further, the settlement of a permanent contract would involve a dip into futurity, which our financial experience shows us we should be unwarranted in making. Finally, the revisions are not always favourable to Imperial interests; the Government of India is ultimately responsible for the solvency of the Provincial Governments. Where the revenues progress at a reasonable rate, and thus provide sufficiently for the requirements of administrative ex-

penditure, a permanent contract might remain in force; but where this is not the case, and especially where famine or other abnormal disaster occurs the Government of India must step in and relieve the Provincial Governments by additional assignments, as it has had to do in the current year. The contracts, therefore, if made permanent, could only really be so in cases in which such permanency favours the Provincial Government. The periodical revision of the contracts is accordingly an absolutely necessary part of the provincial contract system; and it does not seem possible to lengthen the term of revision beyond the period now prescribed. His Excellency the Viceroy dwelt at some length on the same question and concluded his remarks upon it as follows:—"Whatever the Imperial assignment, be it a larger or a smaller proportion, I maintain that the Government of India will fail in its duty if it does not retain a constant and strict control over it. Remember, every assignment of this kind is a direct hindrance to the remission of taxation. So long as the same body imposes the taxation and is responsible for the expenditure it can be called to account if taxes become excessive; and it will always bear in mind the necessity of diminishing, if possible, the imposts on the people. The tying up of a large part of its income by its permanent devolution to a spending authority, which is not also a taxing authority, directly diminishes these incentives to economy, and the inevitable result is that growth of income is used for increase of expenditure and not for remission of taxation." It is true that in recent years the Government of India has not been able to remit taxes but has been obliged to impose fresh taxation to meet its expenditure, owing largely to the fall in the rate of exchange. But the above arguments apply with equal force to this state of affairs also; for, but for the power of revision, the additional taxation would necessarily have been greater.

20,003a. Therefore, the Government of India hold that the system of periodical contracts is necessary to that control which the Imperial Government ought always to keep over the disbursements of revenue?—I think so; and I think that they hold that even in allowing a five-yearly contract, they are going to the very extreme limit of the relaxation of that continuous control.

20,004. And, therefore, they uphold the system of periodical contracts not merely as expedient for administrative purposes, but as a question of financial principle?—I think so.

20,005. (Mr. Mowbray.) I see that in your paper, Mr. Jacob, you refer to a possible idea of separating education and making a permanent and fixed grant in regard to that?—Yes.

20,006. May I ask how far you think such a proposal is open to the objections which you have already been detailing as expressed by Sir James Westland and the Viceroy?—I do not think it is open to those objections at all. The Government of India has under consideration a scheme. I think I can hardly say that it was mentioned by Sir James Westland in the budget debate, but he took care to state that it was only his own view at present. I know from subsequent communications that I have received that it is certainly now under the consideration of the Government of India. Whether it will be adopted ultimately in the particular shape which Sir James Westland sketched or not I do not know; but this is the shape in which it suggests itself to Sir James Westland. This is a scheme for separating off certain classes of expenditure (such for instance as education, medical and public works, and possibly a few others), and making for them a certain fixed and permanent assignment from the general revenues, requiring any future additions to be made either by the development of existing local taxes or by the imposition of new local taxation. If this were done, this expenditure might be treated as separate from the general expenditure, as indeed, a separate branch of finance completely under the Provincial Governments and the Councils, and the expenditure might then be developed independently of the condition of the general finances. The scheme is, however, at present, quite in an embryo state, and it is impossible to say yet whether it can or will be adopted.

20,007. But how far is a scheme of that kind free from the objections which you have been urging against the general fixing of a permanent assignment?—I do

not think there would be any objection to fixing a permanent assignment if it was a fixed assignment. The objection, as I conceive, is to allowing for such purposes an assignment of a percentage of the revenues.

20,008. Of a percentage of the revenues?—Of a percentage of the revenues, which would steadily increase.

20,009. And the idea of this proposal would be a fixed permanent grant and not a percentage of revenue?—That is the general idea. I believe that Sir James Westland also entertains the idea, in order to admit of a very small increase, possibly allowing a very small assignment of revenue under some specified head to be given for these purposes; but, if the proportion assigned were very small, the objections to it would be minimized.

20,010. Would it not take out of the hands of the Imperial Government the possibility of making a remission of the taxation?—It would perhaps to a small extent; but if the percentage were only very small, say only two or three per cent. of any particular head of revenue, it would not seriously hamper the Government of India to make a remission of taxation; whereas now about one-fourth of the revenue, you may say generally more under some heads and less under others, is assigned to the Provincial Governments and that assignment might really form a serious obstacle in dealing with the whole revenue.

20,011. And, in fact, it is free from the objections which you have been urging, because it is only proposed to put it in force on a very small scale?—Yes.

20,012-3. (Chairman.) Would not that be an important measure? Take the progress of education from the figures which you have put before us over these 20 years, and which was very striking, showing an increase over 20 years of between 40 and 50 per cent. Under such a plan as that which Sir James Westland sketched out there would be hardly any room for an increase of that kind, would there?—This intention is that the assignment from the general revenues for, say, education, is to be fixed, not the expenditure on education, but that any further increase, that might be required would be to be made up from local taxation. The requisite taxes would be raised by the Provincial Governments. They would then feel the pinch, which they now do not feel, of having to provide the resources as well as spend the funds.

20,014. That is intended to meet the very sound financial objection of the Governor General that the disbursing and the raising of taxation ought to be in one hand?—Yes.

20,015. Or, rather, ought not to be in different hands?—Yes.

20,016. But, apart from this question of principle which leads the Indian Government to prefer the system of periodical contracts, would you not consider from the figures which you have put before us that the Provincial Governments would rather have lost than gained if a self-acting rule had been in force?—I think that is certainly the case; they have gained by the present system, as compared with a system under which they would receive a fixed percentage of the total revenue.

20,017. That is to say, your figures show that during this period the assignments of the Provincial Governments have increased in a greater ratio than the Imperial?—Yes, but I think that the so-called self-acting rule would be unworkable in practice for the reason which, I think, I have already quoted from Sir James Westland's speech, that the Government of India is ultimately responsible for the finances of the Provincial Governments, and that, if a definite percentage were assigned to them, the Imperial Government would have ultimately to make good any deficiency resulting from the contract.

20,018. The argument that Provincial Governments are "shorn" in these revisions is not confined to the Indian witnesses who appeared before us. They appear to have had some reason for relying on that plea, inasmuch as the Provincial Governments themselves advance it. How do you account for the responsible Provincial Governments advancing that argument if there is no ground for it? They, of course, had or could have had the true figures on which you rely before them?—Before answering that question, I would

venture to submit that the expressions used in this connexion are certainly exaggerated. The term "shearing," which your Lordship has quoted, implies much more than what the Government of India can, on any reasonable view, be described as doing at the time of revision. "Shearing" implies that the whole of the increase accruing between two periodical revisions is taken away and that the finances are reduced at the second revision to the same dead level of revenue and expenditure as at the preceding revision. The figures which I have laid before the Commission show that that has not been, in any instance, the case. But I am very glad that your Lordship has asked me the question, because it enables me to give a reply to objections which less well-informed criticism would probably bring. Your Lordship's Treasury experience must have led you to arrive at the conclusion that the description of Treasury action which would be given by the heads of other Departments would not be that which would commend itself to the Treasury, or even to an impartial critic. In respect of the apportionment of the general revenues the heads of the Provincial Governments are at the periodical revisions very much in the same relation to the Government of India as the heads of the spending Departments in England are to the Treasury. They, themselves, as soon as the revision is complete, come into the position of being the financial authority responsible for the proper distribution of available resources, and in their dealings with their heads of Departments they have then to assume very much the same position as the Government of India assumes with regard to them. It must be borne in mind that at the revision the Provincial Governments are arguing for an increase of their share of the total resources at the disposal of the Government of India. They have constantly brought before them important projects of expenditure, and these are pressed upon them now-a-days, not only by the heads of Departments but by the members of the Legislative Councils, who, in recent years, have become in a much more independent position than they were a short time ago. Sir James Westland referred, in the last Budget debate, to the pressure which was put upon Provincial Governments in this way as a danger to provincial finance under existing circumstances. Then, impressed as they are with the importance of these projects, they find their resources cut down, for, undoubtedly, at the time of revision there is an immediate cutting down of provincial resources, not indeed to the same level as at the beginning of the previous contract, but to an appreciable extent as compared with the resources which were in the hands of the Provincial Government in the previous year. This reduction of resources looms large before the head of a spending Department or of a province, and obscures his vision of the very real progress which has been made in the past, and of the higher standard from which each fresh revision starts, facts which are clearly established. I would submit, by the figures which I have laid before the Commission,

20,019. Of course you will observe that the arguments laid before us by the native gentlemen who have appeared before us derived considerable force from the fact that they seemed in some cases to be little more than a repetition of what the Provincial Governments themselves have stated?—That is undoubtedly the case, but I have here an extract, which I should like to read to the Commission, if they would permit me—it is not a very long one—from a review by Sir Charles Elliott of the Provincial Finance during his five years tenure in Bengal; which will show, I think, that even in the view of a Provincial Government and of a Governor so well informed as Sir Charles Elliott, the Province of Bengal has made very considerable progress during one five yearly period. The extract is as follows:—
 "Notwithstanding this drain upon the provincial resources, the Lieutenant-Governor is glad to be able to look back upon a substantial array of administrative improvements which have been carried out within the period under review."

20,020. What is the drain of which he is speaking?—That is rather an interesting point; that was the drain which Mr. Banerjee mentions as a special levy to the Bengal Government. There was one special levy of ten lakhs of rupees from the Provincial Government during the period, and what Mr. Banerjee called another special levy of 67 lakhs was not a special levy at all. The special drain referred to appears to have been the total amount for five years of the fixed sum which was under the terms of the provincial contract with Bengal deducted from the percentage of

the land revenue—25 per cent.—assigned generally to Provincial Governments. In some cases, percentage gives a Local Government slightly more, in other cases slightly less than is necessary to balance its revenue and expenditure, and the Government of India at the time of settling the terms of contract makes a fixed deduction from or addition to the Provincial Revenues as the circumstances may require. This sum of 67 lakhs was made up of these fixed sums taken back from the Bengal Government during the whole term of the contract. They were not a special levy at all; but were taken under the terms of the contract itself.

20,021. They were part of the contract?—They were part of the original contract.

20,022. (*Sir James Peile.*) Have we anywhere in the evidence a list of the special levies which have been taken from the provinces from time to time?—Yes, they are given in the Appendix.

20,023. And I suppose the return shows what levies were refunded afterwards?—Yes.

20,024. (*Chairman.*) And this ten lakhs?—This levy of ten lakhs is shown in the Appendix.*

20,025. That was refunded afterwards, was it not?—No.

20,026. That has never been refunded?—No.

20,027. And that was levied under circumstances of great pressure; it was a demand upon the local assignment to meet the pressing demands of the general government?—Yes.

20,028. And it has not been refunded?—No; I may say that this extract is in immediate continuation of what Mr. Banerjea quoted in regard to the 67 lakhs. Of course it did not suit his purpose to make this further quotation known.

20,029. (*Mr. Mowbray.*) In which year was the ten lakhs levied?—1890–91. Sir C. Elliott continued:—
 “ Three new districts have been created; the number
 “ of subordinate judges and munsifs has been increased;
 “ an additional judge has been appointed for the eastern
 “ districts; the ministerial establishments of judicial
 “ officers have been strengthened; and the number of
 “ rural sub-registrars has been increased. The police
 “ has been reorganised mainly on the lines suggested
 “ by the Police Commission of 1890, at a total cost
 “ of more than five lakhs per annum; a school for the
 “ training of police officers has been opened; barracks
 “ have been built and improved; special reserves of
 “ armed police have been created in every district to
 “ meet local emergencies, and the French system of
 “ identifying criminals by measurement has been
 “ introduced. The gaols at Buxar and Bhagalpur have
 “ been enlarged; the Hazaribagh gaol has been converted
 “ into a central gaol; special committees have
 “ been formed for the purpose of conducting systematic
 “ inquiries into the condition of the less healthy gaols,
 “ and the water supply of all the gaols has been
 “ examined and improved. A large block of buildings,
 “ to be devoted to the study of anatomy, has been
 “ added to the Medical College, and numerous minor
 “ improvements have been made in the buildings of
 “ that institution; surgical and mid-wifery wards and
 “ a dispensary have been constructed at the Campbell
 “ Hospital; a new hospital is under construction in
 “ the south of Calcutta; the Vaccination and Sanitary
 “ Departments have been completely reorganised; a
 “ second vaccine depôt has been opened at Darjeeling
 “ and is now extending its operations to Nepal;
 “ quinine has been brought, through the Post Office,
 “ within the reach of the poorest classes, and the
 “ supply has been increased by the purchase of a
 “ fresh plantation at Nimbong, near Darjeeling. The
 “ system of weighing salt has been improved, and the
 “ salt warehouse at Sulkea has been connected with
 “ the East India Railway, so as to facilitate the export
 “ of salt by rail. Under the head of Public Works the
 “ period has been one of considerable activity. In
 “ Calcutta a new police court, an office for the Presidency
 “ Commissioner, the Collector of Calcutta, and
 “ the Collector of Income Tax, and two new buildings
 “ for the Stamps and Stationery Departments have
 “ been built, a fresh wing has been added to the
 “ Indian Museum, and the Small Cause Court has
 “ been greatly enlarged. In the Mufsal a large
 “ number of Government offices have been built and
 “ extended, and quarters have been provided for
 “ several officials in places where houses were not to
 “ be had. Feeder roads have been opened in connexion

* See Appendix

“ with several railways, and a definite scheme has been worked out for future operations in this direction. Material help has been afforded to the backwood districts of Palamaw, and the Sonthal Parganas towards new and improved roads; the communications of the tea districts of the Duars and Darjeeling have been improved, and a great number of bridges have been constructed on provincial roads. During the current year a large project, the canalisation of the Bhangor Kbal, has been undertaken, which will improve the boat route to Backergunj, and extend the facilities for traffic with Eastern Bengal generally. The Orissa system of canals has been extended, and the Hijili Tidal canal remodelled. Particular attention has been given to the construction of distributaries and the collection of irrigation rates has been improved. In the Education Department Provincial money has been spent on improving the teaching at the Sibpur Engineering College, and adding to it a class for mining engineers, and a new set of workshops has been constructed for the practical training of the students; a veterinary school and hospital has been created in Calcutta; primary and female education have been extended; an industrial school has been opened at Patna; a new school for European boys is being constructed at Kurseong; a chemical laboratory has been added to the Presidency College; a new building provided for the school of art in Calcutta; and finally large additions have been made to the Eden Hindoo Hostel, and the Calcutta Madrasa boarding-house has been begun with the object of providing suitable accommodation for all or a large portion of both Hindoo and Mahomedan students. The list is a long one, but, were it twice as long, much would still have been left to do. Where the claims to assistance are so numerous and so pressing as they are in Bengal it is clearly out of the question that all should be met. The utmost that the Government can hope to accomplish is to allot the limited resources at its disposal as far as possible in accordance with the relative urgency of the demands which are put forward. Sir C. Elliott trusts that he has applied this principle as equitably as circumstances permitted. He leaves the Provincial Finances in a condition of exceptional prosperity, and he rejoices to think that his successor will be able to utilise the large balance with which the present year will close in carrying out some of the projects and improvements which he himself has been unable to complete.”

20,030. (*Chairman.*) Well, that is the Provincial Governor reviewing the period of his administration?—*Yes.*

20,031. And showing the very considerable progress that has been made during that period; but you find that to be somewhat at variance with what the Lieutenant-Governors or the Governors have expressed to the Central Government when it was a question of trying to get more money?—*Yes.*

20,032-3. And you look upon those expressions, then, as arguments rather *ad hoc*, addressed to the particular object that they had in view?—*I think so.*

20,034. In one of your memoranda you comment upon the answer of Professor Gokhale to questions 18,107 and 18,109?—*Yes.*

20,035. What you say there represents the position of the Governments when they are not reviewing what they have done themselves, but when they are applicants to the Imperial Government for larger grants?—*Yes.*

20,036. Perhaps you will read that comment?—It is undoubtedly the fact that some heads of Provincial Governments do not approve of the working of the Provincial contract system, and especially of the periodical revisions of the assignments made for Provincial Expenditure. The Lieutenant-Governor of Bengal and the Governor of Madras have both expressed an unfavourable opinion of the working of the system.

20,037. Was that Sir Charles Elliott?—*No, the Lieutenant-Governor referred to is Sir A. Mackenzie; this criticism was quoted by one of the witnesses. The Governor of Madras—the present Governor—has characterized the system as “demoralising both to the Provincial and Supreme Governments.” He said, in a speech in the Provincial legislative council, “It appears to me the contract system, so called, is bad in itself, and is demoralising both to the Provincial and Supreme Governments. It is bad, as each*

“revision as it takes place has a terribly disturbing effect on the local administration, especially in the important department of public works, to which the pruning knife has to be constantly and ruthlessly applied. It is demoralising to the Provincial Government, because it tends to impair that sympathetic co-operation between the Supreme and Provincial Governments, which is very desirable, and because it tempts the Provincial Government in its financial relations with the Supreme Government, which is master of the situation, to have recourse to the tactics of the weak. When we are well off we try to hide our money, and spend it recklessly, lest the Supreme Government should lay its hands on it; when we are poor we try and give undue emphasis to our poverty. The system is demoralising to the Supreme Government, because it relieves that Government of the consequences of its extravagance. I am of opinion that the financial condition of this Presidency will never be satisfactory until a larger degree of financial independence and control is conceded to the Provincial Government, and until some arrangement more constant and permanent and less one-sided than the present contract system has been adopted.” That is certainly the view held by some certain Provincial Governments, but I think the figures which I have submitted with reference to Madras, for instance, will show to what extent the Commission can uphold the view of the Governor of Madras that in the important Department of Public Works the pruning knife has to be constantly and ruthlessly applied. The figures which I have submitted show that in Madras the expenditure on Public Works has increased very largely even in the short period reviewed in the tables I have drawn up.

20,038-9. You will quite understand the effect that such arguments as those used by the heads of the Provincial Governments must have; and you would probably admit that you would not be surprised that native inquirers into these matters should be struck by such statements coming from an official authority, and should use them?—I think there is great force in that consideration. I am not at all surprised that these arguments should be adopted. But I happen to have by me made a remark as to the working of the Treasury control made by just as responsible an official as any of those who have spoken in India, which describes the Treasury control in the following way:—This is what the witness said: “In large matters I think the control of the Treasury Department might be increased, in small matters I think it is a pity that it is increased. It has given rise to much work and large expenditure, and no advantage.”

20,040. And that you put forward as the same kind of criticism made by a high officer here upon the control of expenditure here?—Yes, it was made by Sir Ralph Knox in the evidence given before the House of Commons Select Committee on Army Estimates in 1887.

20,041. The point being that too much stress should not be laid upon such arguments of administrative officers when they are pleading for a particular point?—Yes, I think you have to consider what the particular object they have in view is.

20,042. But now let us come to the real answer which, I take it, you put forward to these pleas, whether they come from the native gentlemen who have appeared before us or from the Provincial Governments. You point out by those figures which you have very effectively put before us the very large increase which has taken place in Provincial assignments over the period to which you call attention?—Yes.

20,043. And that those assignments have really considerably exceeded the ratio in which the general revenue, from which these assignments are made, has increased?—Yes, that is so; that is the general argument; in fact, the Government of India in dealing with the Provincial Governments, might adopt, almost word for word, Sir Charles Elliott’s summing up of his dealings with the various Departments under his care.

20,044 (*Mr. Mowbray*.) Do you think there is any justification for the suggestion made by the Governor of Madras and some of the witnesses, that in the last year of the quinquennium unnecessary expenditure is incurred in order to make the position of the Provincial Government appear better when it goes to the Central Government to have those terms revised?—I think

there is a tendency to that; I should not suppose it can occur to any very large extent. I think your Lordship will bear me out that it is the fact that in England, as well as in India, there is a similar tendency even under the annual Budget system; that is to say, that the departments which have a Budget grant try to spend the balance of that Budget grant at the close of the year, with the view of getting the money while it is appropriated to them, as the Budget grant lapses at the close of the year. The tendency is controlled as much as possible, but it certainly does exist. I do not, however, think it occurs to any so great extent as to vitiate the Provincial contract system, and I would urge that the figures that I have submitted show that there is, as a general rule, no such great difference between the expenditure in the last year of a contract and in the first year as would support that argument. If the figures are looked at, it will be seen that there is no such great difference between the expenditure in the last year of one contract and the first year of the succeeding contract.

20,045. The increase, such as it is, is normal, and not exceptional for the purpose of making better terms?—There is very small expenditure, I should say, for that purpose.

20,046. (*Chairman.*) I think your instance is a very fair one. In my experience, I should say, that the great spending departments do press their expenditure in the last month of the year as far as they can, because their grants lapse at the end of the year, which is very much the position in which the Provincial Governments stand in India; namely, their grant terminates at the end of five years?—Yes.

20,047. It is only human nature that, if they have balances available, they should try to spend them?—Yes.

20,048. I should not attach very great weight to that argument, provided always that there is a watch kept over this expenditure. Here, a watch is kept over it by our Comptroller and Auditor-General, who promptly reports to Parliament if there is any very abnormal expenditure in the last month?—Yes.

20,049. He is perfectly aware of the tendency, and looks very strictly at the orders given and notes how far the expenditure is abnormal. I do not think you have that check in India; but at the same time you have the check of the Imperial Government, which, I suppose, would notice if a Provincial Government at all played ducks and drakes with the money?—Practically, no large scheme of administrative public expenditure could be matured and brought into force at the end of a year. If any exceptional expenditure of that kind is contemplated, it would probably require the sanction of the Government of India, and the Government of India would be able to control any abuse of the system in that way. Any extra expenditure incurred is usually on public works, which does not involve the Provincial Government in any recurring expenditure, but simply uses up its balances for the time being.

20,050-1. It has been stated that under the present system the allotments to the various provinces are not fixed on any fixed or intelligible principle. I think, in answer to a former question, you have met that objection to a certain extent when you have pointed out that the contract system was engrafted on the previous system, and that the Indian Government was endeavouring to bring the system in the various provinces more or less together?—Yes.

20,052. And I will only ask whether anything occurs to you further to show that that argument is not a well-founded one?—I should say, in answer to that argument, that it is an undoubted fact that the original allotments were made on the basis of existing facts. The plan adopted by the Government of India was not that of setting up a theoretical standard of expenditure for all provinces, and endeavouring to introduce it suddenly and at once. Any such changes must be introduced gradually, and the Government recognised this. But it was one of the main objects of the decentralisation scheme to get rid of the haphazard allotment of resources in the future, and starting, as they must, from the existing state of things, to introduce a plan under which the local governments would be able gradually to develop their resources and to expand their expenditure on useful objects. If the local governments are at each revision to press their claims to a consideration of what they deem the requirements of their provinces, and to demand additional resources to meet these requirements the so-called allotment by clamour would continue in force; and, further, the taxation would on the whole be largely increased. The

Government of India has indeed had to meet this argument in the recent recent revisions of the Provincial settlements, and I have already quoted some of the remarks they made with reference to it.

20,053. That concludes all the questions which occur to me on this question of the Provincial Expenditure. I do not know whether there is any point which I have omitted to which you would like to call attention?—I do not think there is any other of importance, so far as I can judge.

20,054. Then I think we will now pass on to the second point which I have mentioned, namely, the admission of natives to the higher appointments in the public service. The Indian witnesses urged that natives of India should be admitted in greater numbers to the higher branches of the public service. The Commission would be glad to learn from you, in view of this evidence, whether the Indian Government is extending the employment of natives in the higher offices?—The Government of India is certainly extending the employment of the natives of India in the higher offices. A considerable portion of the evidence of the Indian witnesses has been taken up with the discussion of this question, and with criticism of the action in this direction of the Government of India. Mr. Banerjee, however, at the close of his evidence, admitted that much had been done, and that some progress had been made, and his final criticism came to this, that more might have been done and that the progress should have been faster. I think, therefore, that the course the Commission would prefer I should adopt in my evidence is not to follow the witnesses through their detailed criticisms, but merely to lay before the Commission a statement of fact, showing as briefly as possible, in the case of each important Department, what are the orders of the Government of India now in force for the more extended employment of natives in appointments of the higher grades. It must, of course, be borne in mind that full effect can be given to these orders only by degrees. For the extended employment of natives new appointments have not been created, certain appointments formerly filled by Europeans are in future to be filled by Indians; but when the orders were issued these appointments were held by Europeans, and neither can they be dismissed at once to make room for Indians, nor can their reasonable prospects of future promotion be disregarded; vested interests must be respected, and the new scheme can be introduced, for the most part, only at the bottom of the scale, and as vacancies occur. Further, in some Departments, where technical skill or knowledge is required, the recruitment is necessarily limited by the number of candidates who may qualify themselves by special professional training for the duties of those Departments. In every case, therefore, some years must elapse before the scheme can be introduced in its entirety, and in some cases the period may extend to 20 or 30 years; but the orders, which I propose to bring to the notice of the Commission, show the goal at which the Government of India for the present aims, and the extent to which natives will eventually be introduced into the higher branches of the service without any further orders being passed. Should the Commission care to acquaint itself with the earlier history of this question, I beg to refer it to the Report of the Public Service Commission (especially Chapter III.), and to the correspondence relating to that Report which was presented to both Houses of Parliament in 1890 (No. C.—5,926). I do not propose to abstract the correspondence which has subsequently taken place, but merely to state the final orders which have been issued in respect of the principal Departments as the outcome of that correspondence.

20,055. Perhaps you will state to the Commission the outcome of that correspondence, and take first the Executive and Judicial Departments?—In each province a Provincial Service has been established, consisting of the old class of subordinate judges, deputy collectors and extra assistant commissioners, and of certain appointments previously reserved by law or practice to the Indian, formerly called the Covenanted, Civil Service. It is in respect of these latter that a concession is made to natives (the concession being in the case of these Departments in substitution for that made by the Statutory Civil Service, appointments to which are now discontinued). I put in a list showing for each province—other than Assam and Burma, which are not yet ripe for the introduction of the Provincial Service System—the officers transferred from the Indian Civil Service to the Provincial Civil Service, and their pay, which has been fixed in round numbers at about two-thirds of that drawn by Indian Civil Servants in similar posts.

Appointments.	Madras.	Bombay	Bengal.	North-West Provinces.	Punjab.	Central Provinces.	Total	Monthly Pay.
1. Heads of districts -	2	2	4	2	2	1	13	Rs. 1,000 (except in Madras and Bombay), and Rs. 1,200, and Rs. 1,600.
2. Sub-collectors, joint head-assistant and assistant collectors and assistant commissioners.	7	9	8	9	3	2	38	Rs. 300-700 (but varying in the different provinces).
3. Secretary to Board of Revenue or Financial Commissioner.	1	—	1	1	1	—	4	Madras, Rs. 1,000; Bengal, Rs. 1,200, North-Western Provinces, grade pay, plus Rs. 150; Punjab, Rs. 600.
4. Settlement and assistant settlement officers.	—	1	—	2	2	1	6	Punjab, Rs. 800 and Rs. 1,000; Bombay, Rs. 800; North-Western Provinces, Rs. 500 and Rs. 700; Central Provinces, grade pay plus Rs. 100.
5. Assistant-Director of Land Records and Agriculture.	—	—	—	1	—	—	1	Rs. 400-500.
6. District and sessions judges, divisional judges.	4	2	6	4	2	—	18	Rs. 1,000-1,600, Madras, Bombay, and Bengal, and Punjab; Rs. 1,000-2,000, North-Western Provinces.
7. Joint judge (Bombay)	—	1	—	—	—	—	1	Rs. 800.
District judge (Punjab).	—	—	—	—	2	—	2	Rs. 800-1,000.
8. Assistant judges -	—	2	—	—	—	—	2	Rs. 500-600.
9. S. C. C. judges -	—	—	—	2	—	2	4	North-Western Provinces, Rs. 800 and Rs. 1,000; Central Provinces, Rs. 700 and Rs. 800.
10. Registrar of High Court.	—	1	—	—	—	1	2	Central Provinces, grade pay plus Rs. 100.
11. Under-Secretary to Government.	1	—	1	—	—	—	2	Rs. 700.
Total - -	15	18	20	21	12	7	93	

The appointments shown against item 2 have been amalgamated with the grades of Deputy Collector and Extra Assistant Commissioner. In the other cases there is no fixed number of appointments in each grade, the members of the Provincial Service rising *pari passu* with their contemporaries in the Indian Civil Service. Besides the appointments shown above and actually listed for the Provincial Service, members of that service are also eligible for higher posts, such as high court judgeships, commissionerships, and those of members of the Board of Revenue. Every appointment to the higher grades of the Provincial Service is to be based wholly upon fitness and merit, seniority being regarded only where the claims of two or more officers who are equally fit come into competition. Statutory Rules under 33 Vict. c. 33. s. 6, have been framed and published to give effect to these orders. These rules require the sanction of the Government of India to any other than merely temporary appointments (of three months duration) to the office of District and Sessions Judge or Chief Administrative Officer of a district or to any higher office.*

20,056. Are we to understand that the Provincial Service consists entirely of natives?—It consists almost entirely of natives. The Government of India has the power to appoint Europeans, but it is intended that natives of India should, as a rule, be appointed; and I believe that all the appointments that have been made so far under this scheme have been those of natives of India.

20,057. Therefore, we have in each of the Provinces, as it were, two bodies of services, the Indian Civil Service and this Provincial Service?—Yes.

20,058. And practically, you may say, the Provincial Service represents the native element?—Yes, there are natives, of course, in the Indian Civil Service as well, who have passed in the open competition in England.

20,059. Quite so. That is to say that just as there is the power to appoint Europeans to the Provincial

* For the table and the above orders see Government of India Home Department Resolution No. 9, Public, 1342-1352, dated 21st April 1892; Secretary of State's Despatch, No. 84, Public, dated 31st August 1892, and Secretary of State's Despatch, No. 111 of 17th November 1892, with the Government of India letters to which they reply.

Service, so there is the power to appoint natives to the Civil Service?—Yes.

20,060. There is no absolute block against either race in either service?—No.

(*Mr. Naoroji.*) In the Civil Service they are only appointed if they pass an examination here; it is not that, they have the power to appoint anybody.

(*Chairman.*) Whether it is right or wrong to require it, they have to conform to the rules of the Indian Civil Service, which involves an examination here.

(*Mr. Naoroji.*) So that it is not a power of appointment in the Government.

20,061. (*Chairman.*) Generally speaking, would you give us the effect of this table?—The higher appointments made over to the Provincial Service are heads of districts, 13; district and sessions judges and divisional judges, 18; joint judge, 1; district judge in the Punjab, 2; assistant judges, 2; sub-collectors, joint, head assistant and assistant collectors and assistant commissioners, 38; secretary to the Board of Revenue or Financial Commissioner, 4; settlement and assistant settlement officers, 6; registrar of High Court, 2; Small Cause Court judges, 4; under-secretary to Government, 2; assistant director of land records and agriculture, 1; total, 95.

20,062. Is that the cadre that exists now, or is it what you are aiming at?—This is what is aimed at.

20,063. That is to say, at the present moment we should not find all those posts held by natives?—No.

20,064. Because, of course, you wait till vacancies happen before effect can be given to a new scheme?—Yes.

20,065. I see you put against each of these grades their pay, for instance, the heads of districts, 1,000, 1,200, and 1,600 rupees; are these monthly payments?—Yes.

20,066. Have you any idea of the proportion that this number of 95 bears to the number of Europeans occupying similar positions?—I cannot give the exact figures, but I can give roughly what the proportion of Europeans is to natives in the whole of the executive and judicial departments.

20,067. But would that represent the higher employments, because those are what we are dealing with now, are we not?—It represents those who hold appointments which correspond with the appointments held by the Indian Civil Service either lower or higher.

20,068. Yes, but you see here the lowest pay apparently is 400 to 500 rupees a month?—300 to 700.

20,069. That, of course, comes under the heading of higher appointments?—Yes.

20,070. They are good salaries?—Yes.

20,071. And therefore what I wanted to know is, comparing with that kind of salary and that kind of appointment, what would be the number of Europeans employed?—I have not the exact figures for the Indian Civil Service; but I may say that the whole of the Indian Civil Service used to be taken roughly at about 1,000, but that number has now been somewhat reduced, and it includes natives appointed after competitive examination to the Indian Civil Service as well as the posts eventually to be transferred to the Provincial Service. If you take off about 150 on this account, that would leave eventually about 850 Europeans.

20,072. And how would that compare with those 95?—Well, you would have to add to the 95 about 1,500 or 1,600 posts of the grade of deputy collector, extra assistant commissioner, and subordinate judge and munsif on pay of from 250 or 300 rupees a month to 1,000 rupees a month.

20,073. (*Mr. Caine.*) Would the 95 be included in the 150?—Yes, the 95 would be included in the 150.

20,074. When this scheme is complete it would be as 150 to 850?—That would be about it.

20,075. (*Chairman.*) I understood Mr. Jacob to go rather further than that and to say, taking the natives, not, of course, holding the highest employment but holding employments of the higher grade, you would put them considerably above that number?—I was thinking only of the highest posts. In such employment as you mention there would be about two natives to one European.

20,075a. That is what I want to come to; we can make the distinction that the highest places are held by Europeans, generally speaking?—Yes.

20,076. But when you come to speak of places carrying what we should call a good salary, and therefore involving responsible work, you would put it that there are about two natives to one European?—Yes.

20,077. Always bearing in mind that the Europeans hold the highest places?—Yes.

20,078. (*Mr. Cairns*.) Would that be so in the Public Works Department?—In the Public Works Department eventually; the proportion of natives would be smaller.

20,079. In the Public Works Department?—In the Public Works Department the proportion of natives might eventually be about 300 out of 730, that would be about 40 per cent.

20,080. 40 per cent. natives?—More than 40 per cent of the whole.

20,081. (*Chairman*.) You only refer to the Executive and Judicial Departments?—Yes.

20,082. When you come to speak of the 1,500 or 1,600, that would be the total of all these Departments?—No, the Executive and Judicial only.

20,083. There are 1,500 or 1,600 of them?—Yes.

20,084. (*Mr. Cairns*.) That is the lower appointments which it has never been customary to give to Europeans?—For the last 30 or 40 years or more the majority of these appointments have been held by natives of India, but it is only within the last 20 years that the appointment of Europeans to these posts has been prohibited.

20,085. (*Chairman*.) But, apart from that, what you wish to draw attention to is that under this new system of the Provincial Service the natives will be admitted in larger numbers than hitherto to these higher places?—Yes.

20,086. And you consider that the appointment of 95 natives to the Judicial and Executive Departments is a considerable increase on the number of natives admitted to the higher posts?—As regards the Executive and Judicial Departments, the process has been going on for some time, as I stated before, this scheme is in these Departments merely in substitution for the Statutory Civil Service scheme, and natives have been already introduced in those Departments—into some of the higher appointments.

20,087. Has it not been alleged that this scheme is a more restricted one and not so favourable to the natives as the scheme which you call the statutory one?—That has been alleged, but the objection appears to be in the main a matter of sentiment. The Public Service Commission condemned the Statutory Service, and some change was necessary. As far as pay and position is concerned there is, however, no material difference between the Statutory and the Provincial Service. The line of separation from the Indian Civil Service is, perhaps, more marked in the case of the Provincial Service than in that of the Statutory Service, but even the latter was quite a distinct and separate service, and the difference is one of degree only. That, however, is, I think, the chief difference between the two services.

20,088. Between the two schemes?—Between the two schemes. The officers get on the whole about the same pay under the new scheme—the Provincial Service scheme, as they did in the Statutory Civil Service. It is not calculated in exactly the same way, but roughly it is the same. Under the Statutory Civil Service they get exactly two-thirds of the pay of the corresponding appointment in the Indian Civil Service. Under this scheme the pay is calculated roughly at two-thirds, but generally it is fixed in even hundreds.

20,089. (*Mr. Mowbray*.) Are there as many as 1,000 in the Indian Civil Service? I have a despatch of the Government of India before me here in 1893 in regard to the question of simultaneous examinations in India, and they give the figures there as 890?—I think that is much nearer the figure; I merely stated it in round numbers.

20,090. (*Chairman*.) You merely gave 1,000 as a round figure?—Yes, I could not lay my hands on this despatch at the moment the question was asked me, and I gave an outside round figure.

20,091. (*Mr. Mowlray.*) They then go on: "The Civil Service of India contains in its cadre, that is, it is recruited to fill, 998 posts in the Public Service. Of these 74 are in special or technical Departments, not concerned with the General Judicial and Executive Administration of the country. . . . Ninety-three have been entered in lists, published in April 1892 and January 1893, for transfer to natives of India belonging to the Provincial Service. . . . Deducting the 93 posts assigned to the Provincial Service, the cadre of posts at present reserved for covenanted and military officers is 731" ?—Yes, that figure is probably much nearer the mark than that I gave before, but it would leave the proportion roughly at about what I have stated—at about one European to two natives. The figure you quote is 731, and for the natives you have 1,550 plus 95, that would be 1,645, it is rather more than two natives to one European.

20,092. (*Chairman.*) I suppose you put it roundly rather more than two to one of men receiving what would be called in the Public Service a good salary ?—Yes.

20,093. You would not carry the comparison further than that, would you ?—No, of course the majority of the higher appointments are still to be held by Europeans.

20,094. (*Mr. Caine.*) And promotion to anything higher than those is barred, of course, to this 95 ?—No, it is not barred.

20,095. It is not barred ?—No, they are eligible for promotion to the higher appointments.

20,096. They can become Commissioners ?—Yes, they can.

20,097. (*Chairman.*) And then they step into the covenanted Civil Service do they—into the Civil Service ?—They would draw the same pay then as the covenanted civilians.

20,098. But would they be transferred into that service or not ?—No, I do not think they would be transferred into that service. They would not get any of the special Civil Service privileges, such as the pension and so on, but they would draw the same pay.

20,099. (*Mr. Caine.*) That is to say, if one of these 95 were promoted to be a Commissioner and he had not passed the Civil Service examination, he would not draw the full pay ?—Yes, he would.

20,100. Well, he would draw two-thirds ?—No, he would draw the full pay.

20,101. The full pay ?—Yes.

20,102. But he would not draw the pension ?—No.

20,103. Is there any case upon record in which any of these 95 have got out of this grade into a higher ?—Certainly not, the scheme has not been long enough in force; the new recruits have not yet risen to the top of the grade assigned to the Provincial Service.

20,104. (*Chairman.*) But there always are a certain number of natives who do occupy the higher appointments, is there not, as a matter of fact ?—Those in the Indian Civil Service, who have passed by competition, do.

20,105. For instance, there are some judges of the High Court, are there not ?—A certain number of the judges of the High Court are always natives.

20,106. And are there no other of the higher posts filled by natives ?—Not of the highest posts such as the Board of Revenue and Commissioners. There are native collectors and judges already who are members of the Statutory Civil Service and even of the Provincial Service.

20,107. (*Mr. Caine.*) There have been Acting Commissioners, I think, of natives who have passed the ordinary Civil Service, have they not ?—Yes, of the Indian Civil Service there has been one to my knowledge; Mr. R. C. Dutt in Bengal has acted as Commissioner.

20,108. (*Chairman.*) I will now run through these Departments and ask you whether there is anything you would like to mention. Take the Opium Department ?—No change has been made in the method of recruitment for this Department, in consequence of the suggestions of the Public Service Commission.

20,108a-9. May I ask what were the suggestions of the Public Service Commission, I do not mean in detail? — The Commission stated them very briefly in the following passage: — “The Commission does not advocate the continuance of the experiment of appointing natives by selection to a proportion of the vacancies, and recommends that the future recruitment for the Department shall be subject to the general principle of equality of treatment of all classes of Her Majesty’s subjects, and of tested preliminary qualifications which have been proposed for the Provincial Service.” But the Government of India considered, and the Secretary of State has approved of their view, that natives had been so recently introduced into the higher appointments of the Opium Department that it was not advisable at present to increase their employment. Under the rules which have been in force since 1886 every fourth vacancy is filled by the appointment of a native of India of “purely Asiatic descent,” consequently one-fourth of the higher posts will eventually be held by natives of India, of pure Asiatic descent. Of the remaining three-fourths a considerable proportion is composed of officers who come within the general definition of natives of India, though they are not of pure Asiatic descent.

20,110. The Parliamentary definition is Europeans, who are domiciled in India, or of mixed blood, is it not?—Yes, it includes those.

20,111. Then next the Forest Department? — The Provincial Service is eventually to consist of 126 officers, of whom 40 are to be transferred from the Imperial Service. This transfer can, however, be effected only gradually. The service is composed of 32 extra deputy conservators, 3 on Rs. 60, 5 on Rs. 550, 11 on Rs. 500, 13 on Rs. 450, 94 extra assistant conservators, 20 on Rs. 450, 22 on Rs. 350, 26 on Rs. 250, 26 on Rs. 200. Of the above total, all the deputy conservatorships, and eight (four in each of the two higher grades) of the assistant conservatorships are to be transferred from the Imperial Service.

20,112. The Postal Department?—This department has, since 1879, been brought under the general rule that only natives of India are eligible, save with the special sanction of the Government of India, for any office carrying a salary of Rs. 200 a month or upwards. The highest appointments, those of Postmaster-General and Director-General, &c., are generally held by members of the Indian Civil Service. The Public Service Commission recommended that a certain number of direct appointments should be made to the supervising grades by competition instead of by promotion from the lower grades, and that three out of the seven highest appointments should be filled by promotion within the department. Both these suggestions have been adopted; the department will, therefore, be manned eventually by natives only, save in the higher appointments, and even of these three will be held by natives of India, whenever men fit for promotion are available.

20,113. The Financial Department?—This Department has always been recruited partially from natives of India. Before the Public Service Commission’s Report, every third vacancy was filled by the appointment of a native of India. Now, in addition to these, appointments from the lower grades of the Department consisting entirely of natives) may be made to the extent of one-third of the remaining two-thirds. The enrolled list of the Department consists of 46 officers, of whom five are appointed ordinarily from the Indian Civil Service, and one Accountant-Generalship is also assigned to the Department. The above orders have therefore increased the ultimate “native” proportion of the strength from about 14 to 23.

The pay of the various grades is as follows:—

	Rs.
Accountant-General	- 2,250, 2,500, or 2,750.
Enrolled list, class I.	- 1,500.
“ “ “ II.	- 1,250.
“ “ “ III.	- 1,000.
“ “ “ IV.	- 800.
“ “ “ V.	- 600.
“ “ “ VI.	- 400.
Probationers	- 200, rising to 300.

Besides these, there are in the Department 13 chief superintendents, all natives of India, on pay rising from Rs. 450 to Rs. 600.

20,114. Therefore there would be one Accountant-General, who would be a native?—The Accountant-Generalship is open to any native member, who will get it *pari passu* with the other members, if he is equal in ability.

20,115. The Financial Department, is that the Central Financial Department of India?—That is the Department which keeps the civil accounts of the Government of India in all the Provinces; it is directly under the Government of India.

20,116. And does it include the officers paid simply to control?—It includes, in the number previously given, the Comptroller-General and the remaining Accountants-General.

20,117. They are in addition to this?—Yes, there are five Accountant-Generals and one Comptroller-General in addition to those already mentioned.

20,118. The Comptroller-General being yourself?—Yes.

20,119. The Accountants-General are immediately under you, and they are Europeans?—One of them may be a native as shown here.

20,120. When you say may be a native, would he probably be a native?—I should think he occasionally would be. I do not think there would necessarily be always one native Accountant-General.

20,121. The Government in India would prefer one to be a native, if he were qualified, may I take it as far as that?—I think they would certainly like to have a native Accountant-General if he were qualified—thoroughly qualified.

20,122. The Police Department?—No provincial service has been established in this Department, nor has any fixed proportion of the higher appointments been assigned for recruitment from natives of India. The European officers required are now recruited by open competition in England, but local governments are left free to promote to the higher ranks native inspectors who are found qualified for the duties of such ranks.

20,123. The Education Department?—This Department has been divided into two branches, the "Indian Educational Service" recruited in Europe and the "Provincial Educational Service" recruited in India. Natives of India have for some time past been largely employed in this Department, but the orders now issued have increased the local recruitment.

The following table shows the increase to the "Provincial Service" by transfers from the "Indian Service" in the six provinces in which the change has been introduced. Assam and Burma are not yet considered ripe for the introduction of the scheme.

	Locally Recruited.		
	Formerly.	Now.	Increase.
Madras	30	35	5
Bombay	38	38	—
Bengal	100	113	13
North - Western Provinces and Oudh.	23	24	1
Punjab	16	17	1
Central Provinces	4	4	—
Total	211	231	20

The scheme involves a saving on the whole of nearly Rs. 57,000 a year, less an uncertain but small amount on account of a few local allowances. "Natives of India" will ordinarily be appointed to the Provincial Service; but if, for special reasons, the Secretary of State appoints a native to the "Indian Service" he will draw the same pay as the European officers of that service.

The pay of members of the Provincial Service varies from Rs. 200 to Rs. 700 a-month.

This scheme was finally sanctioned by the Secretary of State in his Public (Educational) Despatch, No. 22, dated 12th March 1896, but some of the measures thus finally sanctioned have been gradually and tentatively introduced during the last five or six years, and the number of natives of India employed in the Educational Service has already materially increased.

20,124. (Mr. Mowbray.) Do these education appointments carry pensions?—Yes.

20,125. And would the native appointed to the Education Department—you say he would draw the same pay as a European officer—would he draw the same pension too?—Yes.

20,126. (Chairman.) The Public Works Department?—A provincial service for this Department is established by Government of India, Public Works Department Resolution No. 2,112, dated 19th July, 1892.

A definite number of posts in each grade is not assigned to the Provincial Service, but it is the intention that eventually half of the appointments other than those manned by Royal Engineers shall be held by members of the Provincial Service, and to this end half the yearly recruitment (12 and 13 in alternate years) has been made locally since 1890. The ultimate distribution of the superior grades of the Department is thus stated in Government of India's Public Works Despatch, No. 65, dated 22nd October, 1890 (paragraph 16).

Province or List.	Total Strength.	Distribution of Strength.		
		Royal Engineers.	European. Civil Engineers.	Indian Civil Engineers.
Bengal - -	76	14	31	31
N.-W. Provinces, 100.	—	—	—	—
Punjab, 119 -	—	—	—	—
Local administrations, 129.	—	—	—	—
Railway, 150 -	498	88	205	205
Madras - -	84	16	34	34
Bombay - -	72	12	30	30
Grand total -	730	130	300	300

Of the total local recruits in each year, eight are students of the Indian Engineering Colleges, being "natives of India" (a term which includes Eurasians and domiciled Europeans) and four or five (in alternate years) are upper subordinates already employed in the Department.

The pay of the Provincial Service is fixed in round figures at about two-thirds of the pay of the European engineers, but any judged fit for appointment to the grades of chief engineer will receive the full pay of those grades. The monthly pay will thus be chief engineers, Rs. 1,800, Rs. 2,000, and Rs. 2,500; Superintending engineers, Rs. 750, Rs. 900, and Rs. 1,050; Executive engineers, Rs. 400, Rs. 475, Rs. 550, and Rs. 650; Assistant engineers, Rs. 250 and Rs. 350.

When once appointed to any post an officer of the Provincial Service is listed on the general graded establishment of the Department, and rises through the grades *pari passu* with those appointed in England.

Members of the Provincial Service come under the Indian Service Leave Rules, and receive the general rates of pension. In other respects no difference is made between them and the members of the Imperial Service.

20,127. Then we come to the Public Works accounts, is not that part of the Public Works Department?—No, it is not part of the Public Works Department, it is a separate Department for keeping the accounts. Occasionally officers are transferred from the Public Works Department to the Public Works accounts.

20,128. Is not the accountant under the head of the Public Works Department, or is he financially separated from him?—The Accountant-General is under the Public Works Department. The rules for this Department have been assimilated to those for the Financial Department. The proportion of natives recruited for the superior grades and the pay of the various grades correspond exactly with those of the Financial Department. Natives of India were before the issue of these orders appointed to this Department, but no proportion of such appointments was laid down and the number of natives actually appointed was small.

20,129. The Telegraph Department?—The orders for establishing a provincial service in this department follow closely the lines of those regarding the Public Works Department. No definite number of posts is assigned to the provincial service, but the recruitment is so arranged that three-sevenths of the department will eventually belong to the provincial service. In England two are recruited each year, and in India one and two in alternate years. The total strength of the department is taken at 84, so that the distribution will eventually be 48 Imperial, 36 Provincial Service. The recruitment is to be effected generally from "natives of India" who are students of the Indian Civil Engineering offices, but occasional selection of meritorious officers of the subordinate grades is also sanctioned. The pay is, in the case of the Director-General and Deputy Director-General, to be the same as that of the Imperial service. That of the other grades is to be: Director, Rs. 950; Superintendents, Rs. 600, Rs. 700, Rs. 850; Assistant Superintendents, Rs. 300, Rs. 400, Rs. 550. In other respects the Public Works rules apply.

20,130. Lastly, the Survey Department?—The proposals of the Public Service Commission in respect of this department have been accepted. Under these proposals 12 appointments belonging to the senior division (out of a total of 49) have been transferred to the local branch, the pay rising to Rs 1,300 a month: and this local branch is to be recruited from natives in the proportion of one in four.

20,131. Are there any departments held to be specially under the Imperial Government which are outside these rules?—I have only given here the principal departments. There are other departments, but rules have been laid down for every department of the public service. I thought it was not necessary to give details of the smaller departments.

20,132. Can you give us any figures showing the number of natives of India employed in higher posts at different periods during the last 20 years?—With the view of showing the Commission how the employment of natives has actually increased in recent years, I give below the following table, showing for three different periods the total number of natives (other than clerks, &c) on pay of Rs. 250 and upwards employed in the principal departments in Bengal, North-Western Provinces, Punjab, and the Central Provinces, and for two of these periods the corresponding figures in Madras and Bombay. The statistics have been abstracted from the Civil Lists, and the Madras and Bombay lists for earlier years are incomplete, so that it is impossible to give the figures for them for the first period. There can be no doubt, however, that a corresponding increase to that shown in the other provinces took place in Madras and Bombay between 1877 and 1887.

	1877. April 1st.	1887. April 1st.	1897. April 1st.
Bengal	427	611	754
North-West Provinces	202	302	406
Punjab	95	192	237
Central Provinces	28	56	88
Total	752	1,161	1,485
Madras	—	212	320
Bombay	—	256	305
	—	1,629	2,110

20,133. When you say the total numbers of natives other than clerks, what do you mean by excluding clerks in this case: do you mean that no clerks receive pay of 250?—No, I have excluded the clerks, because I have no information about them.

20,134. (Mr. Cairns.) Do you not think anyone who received 250 would come under a higher grade than that of clerk?—No, some on that pay are classed as clerks in some of the higher offices; they may be called superintendents in the office, but still they are classed as ministerial officers.

20,135. (Chairman.) If they are called superintendents would they come within your table here?—No.

20,136. Then, looking at the proportion of the figures, it is very doubtful whether if you had the figures for Madras and Bombay the total in 1877 would reach 1,000, would it not?—Yes.

20,137. And, therefore, if one assumed 1,000 it would be a very liberal allowance?—It might be a little over 1,000, but it would not be over 1,100 I should say.

20,138. And then it rises to from 1,629 in 1887, and to 2,110 in 1897?—Yes.

20,139. From that I, suppose you would wish to bring before us the very large increase in the number of natives employed?—Yes; in the 20 years it has very nearly doubled. Then I have also redistributed the above figures between various scales of pay.

20,140. (*Mr. Caine.*) May I just ask in passing do you include Eurasians?—No, I do not. I have included no Eurasian or European. I have taken only those with native names.

20,141. (*Chairman.*) You were going on with the explanation?—The following is the table I was mentioning:—

	1877, April 1st.			1887, April 1st.			1897, April 1st.		
	Bengal, N. W. P., Punjab, and Central Provinces.	Madras and Bombay.	Total.	Bengal, N. W. P., Punjab, and Central Provinces.	Madras and Bombay.	Total.	Bengal, N. W. P., Punjab, and Central Provinces.	Madras and Bombay.	Total.
Above Rs. 2,000	1	—	—	3	3	6	11	5	16
From Rs. 1,500 to below Rs. 2,000	—	—	—	4	2	6	4	1	5
From Rs. 1,000 to below Rs. 1,500.	7	—	—	19	8	27	33	25	58
From Rs. 750 to below Rs. 1,000	28	—	—	46	16	62	62	36	98
From Rs. 500 to below Rs. 750	121	—	—	221	100	321	243	112	355
From Rs. 250 to below Rs. 500.	595	—	—	868	339	1,207	1,132	446	1,578
	752	—	752	1,161	468	1,629	1,485	625	2,110

It will be seen that in the first four Provinces the total number of native employes on Rs. 250 and upwards is in 1897 nearly double what it was in 1877, and that the number paid at rates of Rs. 1,000 and upwards has risen from 8 to 43 in the same period.

In the last 10 years the total number in all the six Provinces has increased by about 30 per cent. and the number on Rs. 1,000 and upwards has risen from 39 to 79 or by more than 100 per cent. This increase has for the most part occurred in the last five years, or less, being due to a great extent to the introduction of the Provincial Service Scheme recommended by the Public Service Commission.

20,142. Have you any idea what the figures would be when the rules now in force come into full operation? I understand these are actual facts?—Yes, these are actual facts. I have not made out any statement showing the ultimate result for all the departments together.

20,143. Can you give us any idea of whether, we will say 10 years hence, you would look for a very large increase. You see the last 10 years shows an increase from 1,600 to over 2,100; should you expect to see the same rate of increase continue?—I should think there would be a larger rate of increase if anything.

20,144. A larger rate, and of course under these rules there would be a tendency to work up to the maximum?—Of course it is very difficult to say to what extent the rules will actually result in the employment of natives. If qualified natives present themselves for employment in these departments they will undoubtedly be employed, but Government cannot make the natives qualify themselves. There are civil engineering colleges, for instance, in India; if natives qualify themselves at those civil engineering colleges and present themselves for examination, they will be appointed to the Public Works Department to the extent to which I have indicated, but if natives do not present themselves, the Government of India will have to fill up the appointments in some other way.

20,145. If the natives really qualified would be chosen for these appointments, that is really throwing open the service to the natives?—Yes.

20,146. Because I suppose nobody would argue for appointing unqualified natives?—No.

20,147. You have never considered, supposing the natives were to avail themselves of this qualification, what the number would rise to?—No, I have not worked out what it would rise to on the whole. I have shown what the proportion in each important department would be. For instance, in the executive and judicial departments I have stated there would be two natives to one European.

20,148. (*Mr. Jackson.*) Following out that, that means that when it arrives at its normal, assuming that they are qualified and that they had qualified themselves to come in, that ultimately the service will consist of two to one?—Of that one particular department, the Executive and Judicial Department.

20,148a. Quite?—Yes.

20,149. (*Mr. Caine.*) The ratio is only fixed in that one department?—No.

20,150. (*Mr. Jackson.*) There is a ratio, as I understand, in all departments?—In all departments. In the Opium Department there will be one native to three.

20,151. (*Mr. Caine.*) The ratio varies?—The ratio varies in the different departments. In the Accounts Department there will be at least one in three, and something more than that, because a certain number of subordinates are also to be promoted.

20,152. Do you know what the proportion of the whole 2,110 is, Mr. Jacob; what is the total number?—I do not know what proportion it bears to the whole number of appointments on Rs. 250 and upwards.

20,153. You do not know what the total number employed there is?—No.

20,154. Do you think it is more than one half or anything approaching to one half?—I find it very difficult to say, but I should think it is more than one half.

20,155. More than one half the existing number of persons drawing this pay of all sorts?—I do not mean that there would be half on every scale of pay, because the higher appointments are held by the Europeans; but I think from Rs. 250 upwards there is a greater number of natives employed than Europeans; for instance, in the Executive and Judicial Departments the proportion is about two to one.

20,156. (*Mr. Jackson.*) Would you say, Mr. Jacob, you gave us those figures and, put roughly, there had been an increase during a certain period of about 30 per cent.; has the total service grown during that period?—Very slightly; not anything approaching to that proportion.

20,157. And therefore the proportionate growth of the admission of the natives has been much greater than the growth of the service?—Yes, much greater.

20,158. (*Chairman.*) Men drawing salaries above 250 a month rising to 500 and larger salaries than that you have already got 2,000?—Yes.

20,159. You have told us you took the Civil Service roughly at 1,000 and Mr. Mowbray quoted figures to show that that would be rather in excess probably of the amount?—Yes.

20,160. And, therefore, as far as that goes you have already got as a basis here 2,110 natives as against, say, between 800 and 900 civil servants?—Yes, but these figures are not only for the Executive and Judicial Departments, these are for all departments.

20,161. For all departments?—So that you cannot compare them with the Europeans in the Executive and Judicial Departments alone.

20,162. It seemed to me important to find that out if we could; what I see to be the effect is this: that the Indian Government is throwing open very largely the appointments to the natives, provided they are qualified, but as you have shown with great reason, it takes a long time before the due effect can be given to such regulations; you have to wait for vacancies occurring?—Yes.

20,163. I should like very much to have some idea of what the present regulations might lead up to in the appointment of natives, assuming that they are

qualified?—I think it would be almost impossible to form any estimate of that now. I may say that the Government of India has, in making the actual appointments, gone far beyond what would have been estimated at the time when the provincial scheme was introduced as the actual effect within five years. The Government of India has been able, owing to special circumstances, to introduce immediately a much larger number of natives than it anticipated.

20,164. And therefore you are able further to show that the system has not by any means obtained its full development, but you would expect to see, provided always that the natives are qualified, a considerably larger number than that 2,110?—Yes, there will be a very much larger number eventually, for instance, in the Public Works Department eventually there will be 300 out of 730 belonging to the Provincial Service.

20,165. And how many are there now. I forget whether you mentioned it?—The present number cannot be anything approaching that.

20,166. (*Mr. Mowbray.*) How does a man get into the Provincial Service now, is that by competitive examination?—Not always, I do not think there are any general orders prescribing the method of recruitment; it is left very much to the local governments to lay down the orders for each province. In some provinces they do have competitive examinations for some of the departments, but not for all, I think.

20,167. And where the competitive examinations are held, they are held in India, I suppose?—Oh yes.

20,168. (*Chairman.*) Well then, may we take it that those new rules creating the Provincial Service indicate that it is the policy of the Indian Government to increase the number of natives in the higher posts if duly qualified?—Yes. I think that is the policy of the Government of India.

20,169. I will ask you one more question, but it will be for you to consider whether you like to answer it. Of course if we may take the evidence which has been given to us by the native gentlemen who have appeared before us, I should understand them to hold that the Government of India should practically be conducted by natives; that the European element should be very small indeed. Of course, however willing the Indian Government is to extend the employment of natives, as long as England holds India, there must always be a sufficient number of Englishmen employed to insure the Government of India being carried on the principles laid down by the ruling power?—Yes, I do not think the Government of India ever pretends to conceal its views as to that point. The Public Service Commission laid great stress upon the fact that the bulk of the Executive and Judicial Departments—that is to say the ruling departments—must be Englishmen, trained up on English principles. The utmost limit in that department that the Government of India at present sets before itself in which the higher appointments can be held by natives is about one sixth.

20,170. Of the highest posts?—Of the higher posts.

20,171. That would give an idea of what the limit is to which the Indian Government think they might be able to carry the employment of natives?—Yes. That is in that one department. Of course in other departments which are not concerned with the Government of the country, you may say, such as the Public Works Department and the Accounts Department and others a very much larger proportion of natives can be employed, even in the higher grades, and will be so employed.

20,172. I confined my question to this, that a sufficient number of Englishmen must be employed to insure the Government of India being conducted on the principles which the ruling power has laid down?—Yes, I think that is the principle which the Government of India constantly sets before itself.

(*Mr. Naoroji.*) I have already stated I would make a statement of my own, therefore it is useless taking up the time of the Commission.

20,173. (*Chairman.*) You made some notes as you were going through Mr. Gokhale's evidence, and there are a few of them which I think we might just as well get upon our records. For instance, I observe that you have an amendment to make upon Mr. Gokhale's statement that Lord Ripon's Government took nothing from the Provincial Governments in 1882-1883?—Yes, that statement is correct only when

all the Provincial Governments are considered as a whole. Even in that year the contracts with some of the Local Governments were revised so as to reduce their assignment, and it was this reduction which enabled the Government of India to remit Provincial Taxation in one province, and to deal more liberally with certain other provinces. It must also be borne in mind that this particular revision took place at a time when a large remission of taxation had just been effected, and when it was only natural that the provinces should be allowed to share in the general prosperity and should be treated more liberally than at periods where it was difficult to make both ends meet without imposing additional taxation.

20,174. In answer to Q. 18,185, Mr. Gokhale dwells on the increase in Army expenditure, while such departments as Education, Law, and Justice were starved. I think on that point you have a remark to make?—Mr. Gokhale is apparently referring to the general financial policy of the Government of India during the period from the Mutiny onwards; and his allegation seems to be that while Army expenditure has been largely increased such departments as Education, Law and Justice, and Police have been starved, so that it has not been possible to carry out pressing administrative reforms in them (including the separation of judicial and executive functions). I have already remarked that no one would deny that there are reforms more or less pressing which might be carried out in all departments if only funds were available; but it is not the case at all that the expenditure in the departments named has risen at a slow rate. The following figures prove this:—

	Thousands of Rs.				
	1856-7.	1895-6. Total.	Exchange.	Balance, excluding Exchange.	Increase in 1895-6, compared with 1856-7, excluding Exchange.
Army	12,780	95,500	3,180	22,320	9,540
Judicial and Police.	2,586	8,088	2	8,086	5,500
Land Revenue Administra- tion.	1,667	4,097	—	4,097	2,440
Education	212	1,536	1	1,535	1,323
Medical	98	1,081	5	1,076	933
	4,648	14,762	8	14,744	10,196

20,175. And, rather as opposed to Mr. Gokhale's view, you think that those figures prove, that while, no doubt, the Army expenditure has largely increased, at the same time the expenditure on what I may call domestic services has increased largely also?—Yes.

20,176. In fact in a larger ratio?—Yes.

20,177. At Q. 18,189, Mr. Gokhale makes a comparison between the present and the time when the Company's Government existed in 1852, the comparison was rather to the advantage of that Government; on that you have a remark to make, I think?—As to this statement, I may note that the expenditure on Police and Judicial Establishments, even in 1857-8, was only Rs. 2,635,000. The expenditure on education and medical relief was at the end of the five years quite insignificant. The employment of natives in the higher branches of the service was very much restricted indeed, and cannot in any way be compared with the present standard of such employment. If two crores were then spent, apart from the railway revenue account, on public works, over nine crores are now so spent.

20,177a. At Q. 18,335, Mr. Gokhale makes a statement to the effect that native services have not received much increase to speak of. What is your opinion on that point?—Yes. Mr. Gokhale said "he does not know a single instance in all this Finance Committee's report where native services have ever claimed for increased pay or pensions or ever got any concessions." As regards pay it is only necessary to refer to p. 13 of Vol. I. of the Finance Committee's Report, where the committee say, with reference to the revision of the provincial contracts in 1881-2—"A re-organisation of the subordinate judicial and revenue services was being worked out, which was to entail considerable increase of expenditure."

"Bombay had a sum of Rs. 44,000 added to its income to meet that increase. Madras and Assam were promised whatever sum would be necessary to meet it. The Punjab, Central Provinces, Bengal, and North-Western Provinces had to meet it out of the assignments made to them." I may note that the subordinate judicial and revenue services mentioned in this quotation comprise the subordinate judgeships and deputy collectorships which Mr. Gokhale refers to in A. 18,505, as "the only branches of the public service which are free from this practical monopoly by European officers." They are, in fact, manned only by natives. Then, again, on p. 461 occurs the remark that "charges for subdivisional establishments have increased slightly owing to the enhancement of the pay of sub-deputy-collectors," all of whom are natives. Numerous other instances of concessions made to services manned exclusively by natives might easily be quoted. Similarly the change in the pension scale, under which a pension is given after 10 (instead of 15) years' service and the pensions are graduated more favourably, applied to natives as much as to Europeans.

20,178. Then taking question 18,351; Mr. Gokhale makes rather a telling quotation from some remark of the Bombay Chamber of Commerce on exchange compensation. I think on that you have some remark to offer?—Yes. The opinion of the Bombay Chamber of Commerce quoted by Mr. Gokhale was, it must be remembered, expressed in 1886, when exchange had not fallen nearly so low as it has since fallen. The rate for that year was about 1s. 6d., which is the privileged rate for the calculation of exchange compensation. On the other hand the following extract from the Homeward Mail for April 12, 1897, shows that now an entirely opposite view is held by the Calcutta Chamber of Commerce. "A letter is published in which the Bengal Chamber of Commerce urges on the Local Government the necessity for increasing the pay of the judges in the High Court. It is pointed out that owing to the fall in exchange, and the conditions relating to pension and leave, Calcutta judges have suffered severely, and it will be impossible to induce civilians and barristers of high standing to undertake the duties. The local Press warmly supports the views of the Chamber." I may note that the Trades Association of Calcutta has since lent its support to the opinion expressed by the Chamber of Commerce and that this opinion has been expressed even after the relief granted in the shape of exchange compensation allowance had been given.

20,179. On question 18,466 Mr. Gokhale makes some remarks on the Forest Revenue, on that I think you have something to say?—I think his remarks relate to the increased charge for forests.

20,180. Yes, that is it?—With reference to that I have only to remark that the Revenue has increased by much more than the charge in the period named, so that the net revenue has risen. The provincial figures are:—

Year.	Revenue.	Charge.	Revenue.
	Rx.	Rx.	Rx.
1891-2 - -	164,232	96,357	67,875
1894-5 - -	187,602	103,395	84,106
Increase -	23,270	7,039	16,231

The increase of Rx. 7,000 in the expenditure cannot be said to be "mainly due to exchange compensation" for the increase in that item under provincial is only Rx. 2,000.

20,181. (*Sir Ralph Knox.*) In what form does that revenue come in?—It is the revenue derived from the collection of forest dues and the sale of forest produce chiefly.

20,182. (*Chairman.*) Are there no licenses given to people to feed cattle in the forests and to take the wood?—Yes, to some extent, the revenue comes in in that way too.

20,183. (*Sir Ralph Knox.*) But it is mainly the sale of the products of the forest?—Very largely it arises out of the sale of timber and other forest products.

20,184. (*Chairman.*) In question 18,493 Mr. Gokhale says "there are some Inspectors of Police who are

"Europeans; he puts it at about half and half." Do you consider that an over statement of the case?—Yes. Almost all the Inspectors are natives. The latest Bombay Civil Lists show 41 natives out of a total of 46 Inspectors on duty.

20,185. You think that the one anna cess in the provincial rates is more productive, do you not, than Mr. Gokhale admits?—Yes, he said that the one anna cess was of a non-progressive character; the provincial rates have, however, risen from Rs. 214,000 in 1875-76 to Rs. 294,000 in 1895-96.

20,186. I think those are all the points to which I wish to call your attention in Mr. Gokhale's evidence, but I think you have also some comments to make upon Mr. Wacha's evidence. I will take question 17,150. Some stress was there laid upon the fact or the belief that the Civil Estimates were not available for a very long time after they had been prepared. I think it was said that nearly a year elapsed before they could be obtained?—Yes, that statement is not correct. The Civil Estimates of some of the provinces are printed off in their final shape in little more than a month after the budget is published; and the volume containing all the Civil Estimates is published about June. The dates on which the Civil Estimates of each province for 1896-97 were printed off are given below:—

India	8th June, 1896
Central Provinces	30th April, "
Burma	25th May, "
Assam	25th April, "
Bengal	2nd June, "
North-West Provinces	25th April, "
Punjab	28th April, "
Madras	3rd June, "
Bombay	17th May, "

A copy of the general volume has not been received in England, so that I cannot give the date of its issue; but, the latest date above being 8th June, the general volume must have been published within that month.

20,187. At 17,234, Mr. Courtney asked the witness whether his complaint was that in 20 years, 1872-93, the Finance Members had been too sanguine in their estimate of the rate of exchange. I think you do not think that that idea is well founded?—No, I think not. The correct answer to Mr. Courtney's question may be found in Appendix 40 to the Commission's first Report, which gives the Budget and the realised rate of exchange for each year from 1869-70 to 1895-96. The following table shows the difference between the Budget rate of each year and the realized rate of the previous year, for the last 20 years. I give the table:—

Year.	Budget.	Realized.	Excess (+) or Deficiency (-) of Budget as compared with realized rate of previous year.
	s. d.	s. d.	
1876-7	1 8.5	1 8.508	+ .719
1877-8	1 9.227	1 8.791	- .391
1878-9	1 8.4	1 7.794	- .799
1879-80	1 6.995	1 7.961	+ .039
1880-1	1 8	1 7.956	+ .044
1881-2	1 8	1 7.895	+ .105
1882-3	1 8	1 7.525	- .025
1883-4	1 7.5	1 7.536	- .036
1884-5	1 7.5	1 7.308	- .308
1885-6	1 7	1 6.254	- .254
1886-7	1 6	1 5.441	+ .059
1887-8	1 5.5	1 4.898	+ .002
1888-9	1 4.9	1 4.379	+ .001
1889-90	1 4.38	1 4.566	- .014
1890-1	1 4.552	1 6.089	- .839
1891-2	1 5.25	1 4.733	- .788
1892-3	1 4	1 2.985	- .235
1893-4	1 2.75	1 2.547	- .547
1894-5	1 2	1 1.1	- .01
1895-6	1 1.09	1 1.641	+ .109
1896-7	1 1.75	—	—

The difference is not, in any case, very great; it will be clear, from the above table, that the only year in which the Government of India could be charged with taking too sanguine a view of exchange was 1877-78. When the Budget of that year was framed the circum-

stances were very peculiar; the rate of exchange during the first half of 1876-77 had been very low, falling at one time to but little over 1s. 6d.; but in the latter half of the year it had risen, having been, at one time, above 1s. 10d., and not having fallen below 1s. 9d. These facts explain the high rate taken in the Budget of that year.

20,188. The Budget of 1896-97 has been criticised as an instance of a Government's disposing too rapidly of a so-called improvement, in that you do not agree?—No, I think that a more unfortunate instance could hardly have been selected. In the first place the rate of exchange adopted (1s. 1½d.) was about a penny below the rate current at the time the Budget was framed; and Sir J. Westland thus explained his reasons for taking the lower rate:—"The prospects indicated by these figures are decidedly encouraging, but, as last year the Government of India made up their minds to avoid any speculations as to the future, so this year also they have determined in their estimates to take no account of the recent, and perhaps yet unexhausted, rise in exchange. They consider it very important, under present circumstances, to be on the safe side, and have fixed the exchange to be taken in the Budget Estimates at a rate which would certainly have been deemed wise and prudent in the beginning of February, though to many persons it may appear in the light of more recent events to err on the safe side. The rate we have taken is 13½d., being only slightly in advance of the realised rate of 1895-96. If we could calculate on a rate approaching the present current rate of 14½d.,* the time would have come for a revision of our general financial position; and we believe that no one will consider our position sufficiently assured for any such measures." It will be seen that the Government indicated no desire to show an undue "improvement" in its financial position, by catching hastily at a too high rate of exchange. It was, indeed, criticised at the time for being too cautious in this matter; and the rate actually realized for the year was 14½d., or nearly ½d. above the Budget rate. Again, the method of disposal of the improvement is criticised; but in answer to these criticisms it may be pointed out that only half the improvement was utilized in reducing taxation, and that the other half was assigned to meet a charge which had long been pressed upon the Government, and which was not of a recurring nature, so that it did not affect the financial position beyond the current year.

20,189. (*Sir Ralph Knox*.) What was that remission of taxation?—That was on the cotton duties.

20,190-1. (*Chairman*.) Mr. Wacha made a statement of the increased revenue during the decade due to enhanced taxation. I think your figures very nearly agree with his, but I should like to get it on record what your calculation of the produce of increased taxation was?—I do not think Mr Wacha's statement of the increased revenue during the decade due to enhanced taxation is open to any very serious modification. I give below the figures which he takes and the results of my own calculations, the basis of which can be reported to the Commission if desired:—

Increased Revenue due to Enhanced Taxation
under the heads below.

	Mr. Wacha's	My figures.
	figures.	
	Rx.	Rx.
	(Thousands).	(Thousands).
Assessed taxes	9,879	9,020
Salt Duty	11,981	10,281
Customs	2,135	3,065
Total	23,995	22,366

* Has fallen during the week to 14½d.

The difference is under 2 millions for the decade, and is, therefore, hardly worth criticising. Under customs, Mr. Wacha has understated the increase because he has taken account only of the imposition of the duties in 1894 and not of the raising of the duty on spirits and the imposition of the duty on petroleum in 1890.

20,192. (*Mr. Jackson.*) There is a good deal of difference between the figures as regards two items?—Yes the detailed figures differ, but the totals happen to work out nearly the same.

20,193. (*Chairman*) As to question 17,347, you think that Mr. Wacha overstated the increase in the Army charges?—Yes. The table on the reverse shows the details of the calculation on which the increase in net Army charges, excluding exchange, works out to Rx. 33,938,000. The table also shows the extent to which the fall in exchange has increased the expenditure in the 10 years as compared with 1884–85. That increase is Rx. 43,276,000 and is considerably in excess therefore of the increase in net military charges excluding exchange.

Table showing increase in charges for exchange and in military charges excluding exchange in ten years from 1885–86 to 1894–95 over the charge in 1884–85.

Year.	Exchange (Thous. sands of Rx.)	Military Charges (Thousands of Rx.).					
		Exchange.					Net Charge excluding Exchange.
		Net Charge including Exchange.	On Sterling Expenditure.	On British Soldiers' Pay.	Total.	Exchange Compensation.	
1884–85	3,536	17,658	951	184	—	1,135	15,923
1885–86	4,290	20,662	1,145	224	—	—	—
1886–87	5,632	19,739	1,377	276	—	—	—
1887–88	6,040	21,005	1,582	437	—	—	—
1888–89	6,388	21,695	1,838	517	—	—	—
1889–90	6,758	21,518	1,851	532	—	—	—
1890–91	5,468	21,573	1,504	587	—	—	—
1891–92	7,201	23,270	2,037	407	—	—	—
1892–93	10,287	24,164	3,014	612	—	—	—
1893–94	11,523	23,863	2,913	852	277	—	—
1894–95	15,045	24,252	3,597	1,134	540	—	—
	78,636	220,541	20,378	5,678	817	27,378	193,168

Increase in Exchange.

	Rx. (Thousands).
Total charge for exchange for decade	78,636
Deduct 10 times charge for exchange in 1884–85 (3,536)	35,360
Increase	43,276

Increase in Military Charges excluding Exchange.

	Rx. (Thousands)
Net military charges for decade excluding exchange	193,168
Deduct 10 times corresponding charge in 1884–85	159,230
Increase	33,938

20,194. How does your figure compare with what Mr. Wacha stated?—He gives the total increase in net Army charges as 37,495,000, and my figure is 33,498,000, a difference of about 4 millions.

20,195. Do you know upon what point he would be found to differ from you?—No, I could not find out how his figures were obtained.

20,196. Because the difference is a very large one indeed?—Yes. I asked Mr. Wacha to let me know how his figures were obtained, but he omitted to do so. He told me how his figures were obtained in some instances, and I was able to convince him that it was necessary to correct his figures where a mistake had taken place, but in this case he did not show me how his figures were obtained.

20,197. (*Sir Ralph Knox.*) Did he modify his figures to any large extent?—In one or two cases he did: he was asked by the Commission to do so.

20,198. Yes, but I want to know?—I think in the most important cases, owing to the cross-examination, he was not able actually to alter the figures; but he has put a footnote to his evidence, showing what the correct figures are.

20,199. Does that absorb much of the difference between you, his correction of his figures?—Under this head do you mean?

20,200. Yes, under military charges?—No, it had not reference to the military charges at all; I am referring to other cases.

20,201. (*Chairman.*) As I understand, you do not know at all how he made up his figures?—No.

20,202. (*Mr. Jackson.*) Perhaps he did not know himself?—He did not tell me; he sent me details in other cases, but not in this case. It was probably an accidental omission.

20,203. (*Chairman.*) I think you have some comment to make upon the Questions 17,472 and 17,474 in regard to railway expenditure?—Yes; Mr. Wacha's statement that the results quoted refer to the mere working of the railways, and the suggestion that they do not include interest on capital outlay are incorrect. The figures in the Railway Administration Report agree with those of the Finance and Revenue Accounts upon which the figures given by Mr. Wacha are based; for instance, the total figure given by Mr. Wacha for 1894-5, Rx. 2,348,489, as taken from the Railway Administration Report, corresponds with that given for the same year in Appendix 28 to the Commission's First Report, which is taken from the Finance and Revenue Accounts.

20,204. Then the same subject is dealt with in a question or two a little further on, and on that point I think you differ from Mr. Wacha?—Yes, Mr. Wacha's explanation of the difference from year to year in the net result is quite incorrect; the figures in the Railway Administration Report and in the Finance and Revenue accounts agree absolutely with each other. The loss varies in each year, especially with the rate of exchange, a fall in which enhances the rupee equivalent of the sterling charges for interest. The following table shows the loss on State Railways, on Guaranteed Railways, and on other Railway Revenue Charges and the total loss for each of the ten years.

Loss + (or Gain -) on Railway Revenue Account.

	1885-6.	1886-7.	1887-8.	1888-9.	1889-90.	1890-1.	1891-2.	1892-3.	1893-4.	1894-5.
State	Rx. -394,381	Rx. 375,061	Rx. 1,121,848	Rx. 1,254,316	Rx. 983,920	Rx. 337,297	Rx. - 109,560	Rx. 1,041,200	Rx. 666,180	Rx. 737,450
Guaranteed	983,314	675,581	930,333	922,539	699,530	145,989	333,328	805,569	778,938	1,535,079
Other Items	143,280	138,026	70,710	55,937	169,151	154,005	92,196	283	90,385	75,360
Total	791,713	1,188,668	2,122,866	2,233,392	1,852,601	687,291	315,864	1,847,032	1,535,503	2,348,489

These figures correspond exactly with those given in Appendix 28, and their total sums up to Rx. 14,862,959. It will be seen that the variations from year to year are very great, the loss varying from Rx. 315,864 in 1891-2 to Rx. 2,348,489 in 1894-5. The figures given in answer to Question 17,480 are incorrect, the exchange figures especially so. In 1893-4 the exchange in the Railway Revenue Account amounted to Rx. 3,732,878 and in 1894-5 to Rx. 4,774,565. In every year except one the charge for exchange exceeded, and in many years largely exceeded, the net loss on the railways, and its effect on the net result of that account is much larger than would be inferred from the figures for exchange given by Mr. Wacha. This is illustrated by the following table, which shows for each of the 10 years

the exchange included in the net loss as above and the gain apart from exchange.

Year.	Net loss as above.	Exchange.	Gain exclud- ing exchange.
	Rx.	Rx.	Rx.
1885-6 - -	731,718	1,594,814	863,101
1886-7 - -	1,188,668	1,987,173	798,510
1887-8 - -	2,122,386	2,268,780	146,404
1888-9 - -	2,233,392	2,629,783	396,391
1889-90 - -	1,852,601	2,517,099	664,498
1890-1 - -	687,291	1,862,886	1,175,595
1891-2 - -	315,864	2,454,430	2,138,566
1892-3 - -	1,847,052	3,448,258	1,596,206
1893-4 - -	1,535,508	3,732,878	2,197,375
1894-5 - -	2,348,489	4,774,565	2,426,076
Total - -	14,862,959	27,265,662	12,402,718
1895-6 - -	1,620,268	4,366,814	2,746,546

The net loss of nearly 15 millions is converted into a net gain of nearly 12½ millions if exchange is excluded. I have added at foot of the table the figures for 1895-6, the latest year the accounts of which have been closed.

20,205. I think you have a comment to make upon 17,568 in which the witness was speaking of the rates of interest paid on loans in India?—Yes, Mr. Wacha's answer is not correct. The Government of India at one time borrowed at 6 per cent. in India and it has borrowed at various times at 5½, 5, 4½, 4, 3½ and 3 per cent.

20,206. (Sir Ralph Know.) That is in India?—Yes.

20,207. (Chairman.) I think in question 17,706 Mr. Wacha states it is impossible to understand on what principle the Indian Midland and Bengal and Nagpore Railways are considered to be protective railways in reference to the Famine Relief Fund. Perhaps you will tell us why they were reckoned as such?—The Indian Midland and Bengal Nagpore Railways have been held to be protective railways on the same grounds as other protective railways. They met the needs of tracts, which were mentioned by the Famine Commissioners as needing protection. The net charge is brought to account in the Railway Revenue Account; but it was decided that the net loss on these railways should be taken in reduction of the Famine Insurance Grant, because it was recognized that they would not pay commercially and Government represented that it could not both bear the loss upon them in the Railway Revenue Account and at the same time provide the full amount of the Famine Insurance Grant. The alternatives were therefore either that their construction be delayed until the capital cost could be met out of the Famine Insurance Grant or that the net charge be taken in reduction of that grant.

(Chairman.) That makes up all the questions referred to in the memorandum that you have placed before us. I do not know whether any member of the Commission has any questions.

20,208. (Sir Ralph Know.) Were those two railways included in the original recommendations of railways for protective purposes?—No, they were not specified by name, but they provide for the protection of tracts which were mentioned by the Famine Commissioners, and they were specially mentioned as protective railways in the Report of the Parliamentary Committee of 1884. The Commission distinctly stated its opinion that they were protective in character. I may perhaps add, with reference to the Chairman's remark, that there are several criticisms that might be made on the evidence of Mr. Banerjea and Mr. Iyer, but I have not submitted a formal note about them, because most of the points have been covered by the general evidence which I have given on the working of the provincial contract system, and the employment of natives in the public service. There are a few other cases in which their figures are incorrect, but I do not think it is necessary to point them out in detail.

20,209. (Chairman.) Thank you. I think we quite understand that you have called our attention to these points upon which there is such a divergence, as it is desirable to explain?—Yes.

The witness withdrew.

Adjourned.

CONGRESS GREEN-BOOK.—No. II.

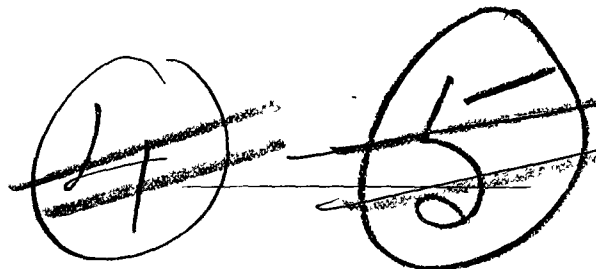


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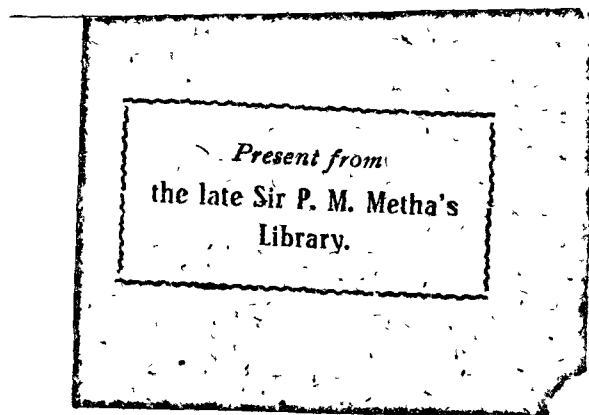
Indian Expenditure.



EVIDENCE-IN-CHIEF

OF

THE FIVE INDIAN WITNESSES.



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NOTE:—*The matter here printed as MR. DADABHAI NAOROJI'S Evidence-in-Chief is his brief summary of the series of Memoranda which he submitted to the Royal Commission.*

I.—EVIDENCE-IN-CHIEF OF MR. DADABHAI NAOROJI.

MARCH 25th, 1897.

1. From my early days I have been associated with those who have been working for the social, political and material improvement of India, and was a Member of the various Reform Associations in Bombay, sometimes as President and Secretary.

Qualifications.

In 1851 I founded the *Rast Goftar*, a cheap weekly journal in Bombay, of which I was proprietor and editor. After some years' service in the Education Department I was in 1854 appointed Professor of Mathematics and Natural Philosophy in the Elphinstone College, being the first Indian appointed to a Professor's Chair. In 1853 I was one of the founders of the Bombay Association, and at the inauguration I declared my political creed of faith in the conscience and justice of the British people. In 1855, I and two other Parsi gentlemen opened the first Indian business firm in England, in London and Liverpool, and I remained in business as a Merchant and Commission Agent till 1881.

In 1867, I with others founded the East India Association in London, and induced some leading Indian Princes to subscribe an endowment for it. In 1869 we founded the Bombay Branch of the East India Association, and some years subsequently the Bombay Presidency Association. In 1873 I gave evidence before Mr. Fawcett's Select Committee on Indian Finance. In 1874 I was Dewan or Prime Minister of Baroda. In 1875-6, ~~and~~ afterwards in 1881 to 1885, I was a Member of the Town Council of Bombay, and in 1885-6 I was appointed a Member of the Legislative Council of Bombay. In 1885 I was one of the founders of the Indian National Congress, and presided over the meeting at Calcutta in 1886. In 1892 I was returned M.P. for Central Finsbury, and was a Member of the House of Commons till 1895.

In 1893 I visited India to be President over the Ninth Indian National Congress at Lahore, and on the occasion was accorded a reception of a marked kind in various parts of India. For the last forty years I have paid special attention to the material condition of the masses in India, and have published books, pamphlets and speeches setting forth my views on the subject.

2. I have handed in to the Commission six printed statements. These statements contain the facts, figures and authorities upon which I rely, and I am prepared to be cross-examined upon them.

*Form of
Evidence.*

3. The headings under which my evidence falls are—(a) The Administration of Expenditure. (b) The apportionment of Charge. (c) Practical Remedies. Upon each of these headings I am prepared to state categorically my most important contentions on behalf of India.

4. I consider that the Act of 1833, confirmed by the pledges contained in the Queen's Proclamation of 1858, conferred upon Indians a right to their full claim and share of public employment and emoluments and voice in their own expenditure, in order to secure their happiness and prosperity, and good government and attachment to British rule, and the prosperity of the British people themselves.

(A)
*Administration
Expenditure.*

5. I maintain that the administration of Indian expenditure is not conducted according to the principles thus laid down, and that the non-fulfilment of these pledges has produced poverty and degradation; the inherent and essential defect of British administration being the financial, political and intellectual drain, which is inseparable from a remote foreign dominion exercised in disregard of the sound principles above stated.

6. In my six statements I set forth the facts of India's poverty, as shown by the comparative production and consumption of each Province, by calculating the average production of India per head; by analysing the trade returns; and by reference to the small amount of revenue obtained after exhausting all sources of taxation.

7. I maintain that the impoverishment and degradation of British India has been caused by the compulsory employment of costly foreign official agencies and foreign capital (represented by the public debt, political and commercial) beyond the means of the taxpayer, resulting in a drain from British India, financial, political and intellectual—aggravated by heavy Imperial war expenditure beyond the frontier—and that indirectly the foreign dominion has caused a further drain by creating a practical monopoly in favour of foreign private capital, which reaps the advantage of British India's material resources.

(B) *Apportionment
of charge:*

8. My propositions are:—

(1.) That it is the desire of the British people that British rule should be one of justice and righteousness for the benefit of both India and Britain, and not for the benefit of Britain only to the detriment of India, and that the financial relations in apportionment of charge should be as those between two partners and not as those between master and slave.

(2.) That upon this equitable basis the apportionment of expenditure in which Britain and India are jointly interested should be according to extent of the interest and according to capacity to pay.

(3.) That the creation and maintenance of British Imperial supremacy in India is a British interest of the first magnitude; yet, with a few exceptions, India has been unjustly charged with the whole cost of creating and maintaining the British Imperial Supremacy without Britain paying any portion, and without India being allowed to share in the advantages connected with that supremacy.

(4.) That law and order are beneficial to India, but they are also a British interest, as a condition essential to the very existence and prosperity of British rule.

(5.) That, assuming as it is said that India should bear all those charges for internal and external protection which she would have to bear if British rule did not exist, she should not bear the special cost of European Agency so far as used solely to maintain British Supremacy. And, moreover, that if British rule did not exist every one employed will be an Indian and not an European.

(6.) That as a practical arrangement Britain should pay for all British employed in Britain, that India should pay for all Indians employed in India, and that, as regards British employed in India, and Indians employed in Britain, there should be an equitable apportionment according to respective benefit and capacity to pay. To put it still more moderately, the payments to Europeans in both countries may be divided half-and-half between Britain and India.

(7.) That in the Army, Navy and Civil Service, public employment, with its advantages and emoluments, should be proportioned to the charge; and in considering this point it should be borne in mind that in India Government employment monopolises in great part the sphere of private enterprise and the open professions as practised in Britain.

(8.) That the wars carried on beyond the Indian Frontier of 1858 are, as stated by Lord Salisbury, "an indivisible part of a great Imperial question," and that therefore the cost should primarily be borne by the Imperial Exchequer, India contributing a fair share on account of, and in proportion to, indirect and incidental benefits accruing to her, and direct share in the services.

(9.) That from April, 1882, to March, 1891, nearly Rs. 129 millions were spent from Indian revenues beyond the Western and North-Western Frontiers of India, for avowedly Imperial purposes, and that a fair share of this amount should be refunded from the Imperial Exchequer, and similarly for the cost of the Burmese War.

9. Since putting in my statements I have obtained further figures showing the amounts spent from Indian revenues upon military operations beyond the frontiers of India. Colonel H. B. Hanna, in his book No. 3, "Backwards or Forwards," gives at page 40 a table, and makes the total about Rs. 714,500,000, out of which the British Exchequer paid about £5,000,000 towards the expenses of the Afghan War. Besides this amount he points out several omissions. I may put in this table, with his remarks thereon, in Chap. III.

10. The principle I approve is that which was declared by the Duke of Devonshire, who said, "If the country is to be better governed that can only be done by the employment of the best and most intelligent of the Natives in the Service"; and, as pointed out by Sir W. W. Hunter, "If we are to govern the people of India efficiently and cheaply we must govern them by means of themselves, and pay for the administration at the market rates of native labour." An administration conducted on these principles will stop the material, political and intellectual drain from India.

(C) *Practical Remedies.*

11. In the case of the Mysore State this method was adopted by Lords Salisbury and Iddesleigh, "as a guarantee for the good government of the people, and for the security of British rights and interests." This experiment, though disapproved by the Anglo-Indian authorities, was loyally and effectively carried out by them, and proved a brilliant success, resulting in a contented people, a full Treasury, moral and material progress, and attachment to British Supremacy. It is a brilliant episode in British Indian History.

12. Similarly British India will be prosperous and contented if the same principles are followed, local administration being entrusted to competent native officials, under European control, co-operating with representative assemblies.

13. I gladly recognise the benefits of British rule, especially as regards law and order, education, and freedom of the Press and public meeting; but I believe that British power and influence are much weakened by the refusal to administer expenditure in a way so as to give the people justice, and a voice in their own affairs, by the consequent "extreme poverty" of the masses, and by the non-fulfilment of the solemn pledges, given by Parliament and the Crown, of equal opportunity in the public service to all subjects of Her Majesty; and I sincerely desire to see British rule strengthened on the lines most beneficial to the people, both of India and of Britain.

14. I desire to put in my correspondence with the War Office, the Admiralty, and the Civil Service Commissioners. In this I claim that neither the War Office nor the Admiralty had any authority or power to exclude Indians from the commissioned ranks.

15. Before I develop and illustrate the views which I have put forward in some facts and practical figures which the Commission can take into consideration, you will allow me to say, first, as to what I consider the best thing to be done so that the administration of the expenditure of the revenues of India may be made to the best possible advantage both to England and India. I agree with Lord Salisbury when he says, "the general concurrence of opinion of those who know India best, is that a number of well governed small Native States are in the highest degree advantageous to the development of the political and moral condition of the people of India." And Lord Iddesleigh similarly said, "Our Indian policy should be founded on a broad basis. There might be difficulties; but what we had to aim at was to establish a system of Native States, which might maintain themselves in a satisfactory relation." Again, "We should endeavour, as far as possible, to develop the system of Native Government, to bring out Native talent and statesmanship, and to enlist in the cause of government all that was great and good in them."

16. Entertaining these ideas, Lord Iddesleigh practically carried them out in restoring Mysore on the distinct basis that "at once offered a guarantee for the good government of the people and for the security of British rights and interests," as I have already stated in a previous paragraph.

17. The obvious conclusion is that the only natural and satisfactory relations between an alien supremacy and the people of India can be established on this basis alone. There are these obvious advantages in these relations:—

18. The British supremacy becomes perfectly secure and founded upon the gratitude and affection of the people, who, though under such supremacy, would feel as being under their own rulers, and as being guided and protected by a mighty supreme power.

19. Every State thus formed, from the very nature of its desire for self-preservation, will cling to the supreme power as its best security against disturbance by any other State.

20. The division in a number of States becomes a natural and potent power for good in favour of the stability of the British supremacy. There will be no temptation to any one State to discard that supremacy; while, on the other hand, the supreme Government, having complete control and power over the whole government of each State, will leave no chance for any to go astray. Every instinct of self-interest and self-preservation, of gratitude, of high aspirations, and of all the best parts of human nature, will naturally be on the side and in favour of British supremacy, which gave birth to these States. There will be an emulation among them to vie with each other in governing in the best way possible, under the eye and control of the supreme Government on their actions, leaving no chance for misgovernment. Each will desire to produce the best Administration Report every year. In short, this natural system has all the elements of consolidation of British power, of loyalty, and stability, and of prosperity of both countries.

The Example of Mysore.

21. The result of this arrangement in the case of Mysore has been most satisfactory from all sides. For the result in Mysore, I give a short statement from the Mysore Report of 1st October, 1895.

22. Of the work of the late Maharaja, from 1881 till his death at the end of 1894, it would be enough for me to give a very brief statement from the late address of the Dewan to the Representative Assembly held at Mysore on 1st October, 1895, on the results of the late Maharaja's administration during nearly fourteen years of his reign, as nearly as possible in the Dewan's words. The Maharaja was invested with power on 25th March, 1881. Just previous to it the State had encountered a most disastrous famine, by which a fifth of the population had been swept away, and the State had run into a debt of 80 lakhs of rupees to the British Government. The cash balance had become reduced to a figure insufficient for the ordinary requirements of the Administration. Every source of revenue was at its lowest, and the severe retrenchments which followed had left every department of State in an enfeebled condition. Such was the beginning. It began with liabilities exceeding the assets by 30½ lakhs, and with an annual income less than the annual expenditure by 1½ lakhs. Comparing 1880-1 with 1894-5, the annual revenue rose from 103 to 180½ lakhs, or 75·24 per cent., and after spending on a large and liberal scale on all works and purposes of public utility, the nett assets amounted to over 176 lakhs in 1894-5, in lieu of the nett liability of 30½ lakhs with which His Highness's reign began in 1881.

	Rs.
In 1881 the balance of State Funds was	24,07,438
Capital outlay on State Railways	25,19,198
Against a liability to the British Government of	80,00,000
Leaving a balance of liability of Rs. 30½ lakhs on 30th June, 1895.	

ASSETS—

(1) Balance of State Funds	1,27,23,615
(2) Investment on account of Railway Loan Repayment Fund	27,81,500
(3) Capital outlay on Mysore Harihar Railways	1,48,03,306
(4) Capital outlay on other Railways	41,33,390
(5) Unexpended portion of Capital borrowed for Mysore Harihar Railway (with British Government)	15,79,495

3,60,21,306

LIABILITIES—

(1) Local Railway Loan	Rs. 20,00,000
(2) English Railway Loan	1,63,82,801
	1,83,82,801

Net Assets 1,76,38,505

ADD OTHER ASSETS—

Capital Outlay on Original Irrigation Works	99,08,935
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23. Besides the above expenditure from current revenue, there is the subsidy to the British Government of about Rs. 25,00,000 a year, or a total of about Rs. 3,70,00,000 in the fifteen years from 1880-1 to 1894-5, and the Maharaja's civil list of about Rs. 1,80,00,000, during the fifteen years also paid from the current revenue. And all this together with increase in expenditure in every department. Under the circumstances above described, the administration at the start of His Highness's reign was necessarily very highly centralised. The Dewan, or the Executive Administrative Head, had the direct control, without the intervention of Departmental Heads of all the principal departments, such as the Land Revenue, Forests, Excise, Mining, Police, Education, Mujroyi, Legislative. As the finances improved, and as Department after Department was put into good working order, and showed signs of expansion, separate Heads of Departments were appointed, for Forests and Police in 1885, for Excise in 1889, for Mujroyi in 1891, and for Mining in 1894. His Highness was able to resolve upon the appointment of a separate Land Revenue Commissioner only in the latter part of 1894. Improvements were made in other Departments, Local and Municipal Funds, Legislation, Education, &c. There are no walls which, unfortunately, the Finance Ministers of British India are obliged to raise, year after year, of fall in Exchange, over-burdening taxation, &c., &c.

24. And all the above good results are side by side with an increase of population of 18.34 per cent. in the ten years from 1881 to 1891, and there is reason to believe that during the last four years the ratio of increase was even higher. During the fourteen years the rate of mortality is estimated to have declined 6.7 per mille.

25. But there is still the most important and satisfactory feature to come, viz., that all this financial prosperity was secured not by resort to new taxation in any form or shape. In the very nature of things the present system of administration and management of Indian expenditure in British India cannot ever produce such results, even though a Gladstone undertook the work. Such is the result of good administration in a Native State at the very beginning. What splendid prospect is in store for the future, if, as heretofore, it is allowed to develop itself to the level of the British system with its own Native Services, and not bled as poor British India is.

No New Taxation

26. On the latest report of Mysore, I give a short extract of the comments in the *Times* of 8.12.96 :—

As the *Times* of 8th December last, in its article on "Indian Affairs," confirms, by actual facts and events, the wisdom and statesmanship of Lords Salisbury and Iddesleigh in their one great work of righteous and wise policy, I desire to quote a few words. Fortunately, it is the very Mysore State to which this righteous and wise act was done. The *Times* says :—

27. "The account which Sir Sheshadri Iyer rendered to it of his last year's stewardship is one of increasing revenue, reduced taxation, expenditure firmly kept in hand, reproductive public works, and a large expansion of cultivation, of mining and of industrial undertakings. The result is a surplus, which goes to swell the previous accumulations from the same source."

28. The *Times*' article concludes with the words :—

"A narrative such as Sir Sheshadri Iyer was able to give to the Representative Assembly of Mysore makes us realise the growth of capital in the Native States, and opens up new prospects of industrial undertakings and railway construction in India on a silver basis."

29. I have got this latest report—if the Commission would allow me to put in a statement out of it, like the one I have already given. I have cited other illustrations of Native States in my statements.

30. Now, leaving this most important and best remedy for the consideration of the Commission and the Government, I would take things as they are at present arranged and give the practical figures :—

Facts and Figures.

Here is Return 192 of 1892 of "East India Salaries" :—

EUROPEANS.—THE CIVIL DEPARTMENT.

The amount of Annual Salaries Rs. 1,000 and upwards is

	Rs. 3,87,49,216
Public Works Department (Civil)	90,98,144
Absentee allowances, Civil Department	17,56,772
Public Works Department (Civil)	4,47,340
Pensions paid in India—Civil (Europeans and Eurasians)	9,73,230
Public Works Department, Civil (Europeans and Eurasians)	2,38,719
Total in India	5,12,63,421

31. In England the amount for Civil and Military are not separate—which I may request to be supplied.

32. Now, what I urge is that the European Civil Service is distinctly alleged to be employed mainly for the maintenance of the British rule. For a practical purpose, at present, I grant that the Service is for the benefit of India also, as for the maintenance of the British rule, and, further, I do not press for the very weak capacity of India. I say the least that Britain can do in justice to India is to pay half of the salaries, &c., of the Europeans in the Civil Departments.

33. The next figure I want to put is the expenditure on the European Army in India, and pensions and other disbursements in England.

ARMY: EUROPEANS.

	Rs.
For the Military Department—Annual Salaries ...	3,78,18,448
Public Works (Military)	17,10,757
Absentee Allowance (Military)	23,49,000
Public Works (Military)	70,892
Pensions paid in India : Pensions under Civil Regulation (Europeans and Eurasians)	88,392
Pensions under Army and Marine Regulations (Europeans and Eurasians)	10,16,976
Total—India	Rs. 4,30,54,465

PAID IN ENGLAND.

34. The amounts, Civil and Army together, are £3,710,678 (including contributed) say at Rs. 15 per £, Rs. 55,660,170. Grand total about Rs. 158,000,000, to which is to be added the payments of European soldiers.

35. What I urge is that the British Army is mainly for the maintenance of British rule against internal or external troubles. But for present practical purposes I accept that the Army is for the benefit of India also, as for that of Britain, and I urge, therefore, that, leaving alone even the poverty of India, Britain, in fairness to India, should share the expenditure, say half and half, for what is a common purpose of equally vital importance to both.

36. The Government of India correctly puts the position—"Millions of money have been spent on increasing the Army in India, on armaments and fortifications to provide for the security of India, not against domestic enemies, or to prevent the incursions of the warlike peoples of the adjoining countries, but to maintain the supremacy of British power in the East."

37. With regard to the Navy, it is of absolute necessity to England, whether there was rule in India or not.

38. With regard to the absolute necessity to the United Kingdom itself for its own safety, of the whole Navy as it exists and is intended to be increased, there is but one universal opinion, without any distinction of parties. It will be easy to quote expressions from every prominent politician. It is, in fact, the great subject of the day for which there is perfect unanimity. I would content myself, however, with a few words of the highest authority in the realm under the Sovereign, the Prime Minister, and also of the Chancellor of the Exchequer. Lord Salisbury said in his Brighton speech:—

"But dealing with such money as you possess . . . that the first claim is the naval defence of England. I am glad that you welcome that sentiment. . . . It is our business to be quite sure of the safety of this island home of ours, whose inaccessibility is the source of our greatness, that no improvement of foreign fleets and no combination of foreign alliances should be able for a moment to threaten our safety at home. . . . We must make ourselves safe at sea, whatever happens. . . . But, after all, safety—safety from a foreign foe—comes first before every other earthly blessing, and we must take care in our responsibility to the many interests that depend upon us, in our responsibility to the generations that are to succeed us, we must take care that no neglect of ours shall suffer that safety to be compromised."

Sir M. Hicks-Beach, the Chancellor of the Exchequer, so late as 28th January last (the *Times*, 29.1.96), said emphatically, and in a fighting mood:—"We must be prepared. We must never lose the supremacy of the sea. Other nations had not got

it, and could afford to do without it, but supremacy of the sea was vital to our very existence."

39. The Irish Financial Relations Report, at page 23, says :—

" 104. Sir Edward Hamilton has stated in his evidence that he did not believe that if Ireland ceased to exist Great Britain's expenditure on the Army and Navy could be reduced. (Ans. 8741-2.) The enormous outlay on the Navy has become necessary in consequence of Great Britain's position as the first Commercial Power in the world, on account of her enormous trade with every part of the globe, and on account of the dependence of her inhabitants for subsistence on supplies from abroad, and on having a safe ocean communication."

40. Notwithstanding that such is the absolute necessity of England to have even more than its present Navy as a world-wide power, I am willing to allow that a fair share should be paid by India, for the vessels that are kept in the Indian waters, and which have been under consideration by the Commission.

41. The Indians are repeatedly told, and in this Commission several times, that Indians are partners in the British Empire, and must share the burdens of the Empire. Then I propose a simple test. For instance, supposing that the expenditure of the total Navy of the Empire is, say, £20,000,000, and as partners in the Empire you ask British India to pay £10,000,000, more or less, British India, as partner, would be ready to pay; and, therefore, as partner, must have her share in the employment of British Indians, and in every other benefit of the service to the extent of her contribution. Take the Army. Suppose the expenditure of the total Army of the Empire is, say, £40,000,000. Now you may ask £20,000,000, or more or less, to be contributed by British India. Then, as partners, India must claim, and must have, every employment and benefit of that service to the extent of her contributions. If, on the other hand, you force the helpless and voiceless British India to pay, but not to receive a return to the extent of the payment, then your treatment is the unrighteous treatment of the slave-master over British India as a slave. In short, if British India is to be treated as a partner in the Empire, it must follow that to whatever extent—be it a farthing or a hundred millions—British India contributes to the expense of any department, to that extent the British Indians must have a share in the services and benefits of that department—whether civil, military, naval or any other—then only will British India be the "integral part" of, or partner in, the Empire.

42. The next practical figure I have to place before the Commission is this. According to the table of, and the comment on, the expenditure on wars beyond the frontier from Colonel Hanna's book, this expenditure, which is entirely Imperial, for the maintenance of British rule against Russian invasion, is, say, roundly about Rs.800,000,000 or more, out of which £5,000,000 have been paid by England. I am not at all discussing the policy of these wars. All I simply say is that these frontier wars are avowedly for Imperial purposes—that both England and India must be considered as benefited by it, and the least that should be done in justice to India is to halve the expenditure, if not in the proportion of the capacity of India as compared with that of England.

43. I have here the highest declarations of the Imperial character of these wars. If the Commission would allow I shall read them :—

On 11th February, 1880, Mr. Fawcett moved the following Amendment to the Address in reply to the Queen's Speech (Hansard, vol. 250, p. 453) :—

"But humbly desire to express our regret that in view of the declarations that have been made by your Majesty's ministers, that the war in Afghanistan was undertaken for Imperial purposes, no assurance has been given that the cost incurred in consequence of the renewal of hostilities in that country will not be wholly defrayed out of the revenues of India."

Mr. Fawcett then said (Hansard, vol. 250, p. 454) :—

"And, fourthly, the most important question, as far as he was able to judge, of who was to pay the expenses of the war. . . . It seemed to be quite clear that the expenses of the war should not be borne by India, and he wished to explain that so far as India was concerned this was not to be regarded as a matter of generosity, but of justice and legality. . . . The matter must be decided on ground of strict justice and legality. . . . (P. 457) It was a remarkable thing that every speech made in that house or out of it by ministers or their supporters on the subject showed that the war was a great Imperial enterprise, those who opposed the war having always been taunted as being 'parochial' politicians, who could not appreciate the magnitude and importance of great Imperial enterprises. . . . (P. 458) He would refer to the

speeches of the Viceroy of India, the Prime Minister and the Secretary of State for Foreign Affairs upon the subject. . . . In December, 1878, the noble earl (the Prime Minister) warned the peers that they must extend their range of vision, and told them that they were not to suppose that this was a war which simply concerned some small cantonments at Dakka and Jellalabad, but one undertaken to maintain the influence and character *not of India, but of England in Europe*.

"Now were they going to make India pay the entire bill for maintaining the influence and character of England in Europe? . . . His lordship (the Marquis of Salisbury) treated the war as indissolubly connected with the Eastern question. . . . Therefore it seemed to him (Mr. Fawcett) that it was absolutely impossible for the Government, unless they were prepared to cast to the winds their declarations, to come down to the House and regard the war as an Indian one. . . . All he desired was a declaration of principle, and he would be perfectly satisfied if some one representing the Government would get up and say that they had always considered this war as an Imperial one, for the expenses of which England and India were jointly liable."

Afterwards Mr. Fawcett said (p. 477):

"He was entirely satisfied with the assurance which had been given on the part of the Government that the House should have an opportunity of discussing the question before the Budget was introduced, and would therefore beg leave to withdraw his amendment."

44. In the House of Lords, Lord Beaconsfield emphasised the objects to be for British Imperial purposes. (25.2.80—*Hansard*, vol. 250, p. 1,094.)

"That the real question at issue was whether England should possess the gates of her own great Empire in India. . . . We resolved that the time has come when this country should acquire the complete command and possession of the gates of the Indian Empire. Let me at least believe that the Peers of England are still determined to uphold not only the Empire, but the honour of this country."

45. So it is clear that the object of all the frontier wars, large or small, was that "*England* should possess the gates of *her own* great Empire," that "*this country* should acquire the complete command and possession of the gates of the Indian Empire," and uphold not only the Empire, but also "the honour of this country." Can anything be more clear than the Imperial character of the frontier wars?

46. Mr. Fawcett, again, on 12.3.80, moved (*Hansard*, vol. 251, p. 922):—"That in view of the declarations which have been officially made that the Afghan war was undertaken in the joint interests of England and India, this House is of opinion that it is unjust to defray out of the revenues of India the whole of the expenditure incurred in the renewal of hostilities with Afghanistan."

47. Speaking to this motion, Mr. Fawcett, after referring to the past declarations of the Prime Minister, the Secretary of State for Foreign Affairs, the Chancellor of the Exchequer, quoted from the speech of the Viceroy soon after his arrival (p. 923):—

"I came to India, and just before leaving England for India I had frequent interviews with Lord Salisbury, the then Indian Secretary, and I came out specially instructed to treat the Indian frontier question as an indivisible part of a great Imperial question mainly depending for its solution upon the general policy of her Majesty's Government. . . ."

And further on Mr. Fawcett said (p. 926):—

"What was our policy towards self-governed Colonies and towards India not self-governed? In the self-governed Colony of the Cape we had a war for which we were not responsible. Who was to pay for it? It would cost the English people something like £5,000,000. In India there was a war for which the Indian people were not responsible—a war which grew out of our own policy and actions in Europe—and we are going to make the Indian people, who were not self-governed and were not represented, pay every sixpence of the cost."

48. And so Lord Salisbury, as Secretary of State for India, and the Viceroy, had cleared up the whole position—"to treat the Indian frontier question as an indivisible part of a great Imperial question mainly depending for its solution upon the general policy of Her Majesty's Government," and the Indian people having no voice or choice in it.

49. Mr. Gladstone, following Mr. Fawcett, said (p. 930):—

"It appears to me, that, to make such a statement as that the judgment of the Viceroy is a sufficient expression of that of the people of India, is an expression of

paradox really surprising, and such as is rarely heard among us. . . . (P. 932) In my opinion my hon. friend the member for Hackney has made good his case. . . . Still, I think it fair and right to say that, in my opinion, my hon. friend the member for Hackney has completely made good his case. His case, as I understand it, has not received one shred of answer. . . . (P. 933) In the speech of the Prime Minister, the speech of Lord Salisbury, and the speech of the Viceroy of India, and, I think my hon. friend said, in a speech by the Chancellor of the Exchequer, this Afghan war has been distinctively recognised as partaking of the character of an Imperial war. . . . But I think not merely a small sum like that, but what my right hon. friend the Chancellor of the Exchequer would call a solid and substantial sum, ought to be borne by this country, at the very least. . . . (P. 935) As regards the substance of the motion, I cordially embrace the doctrine of my hon. friend the member for Hackney. There is not a constituency in the country before which I would not be prepared to stand, if it were the poorest and most distressed in the land, if it were composed of a body of men to all of whom every addition of a farthing for taxes was a sensible burden, and before them I would be glad to stand and plead that, when we have made in India a war which our own Government have described as in part an Imperial war, we ought not for a moment to shrink from the responsibility of assuming at least a portion of the cost of that war, in correspondence with that declaration, instead of making use of the law and argument of force which is the only law and the only argument which we possess or apply to place the whole of this burden on the shoulders of the people of India."

The upshot of the whole was that England contributed £5,000,000 out of £21,000,000 spent on this war, when one would have naturally expected a "far more solid and substantial" sum from rich England, whose interest was double, both Imperial and European. But the extent of that contribution is not the present question with me. It is the principle that "the Indian frontier question is one indivisible part of a great Imperial question, mainly depending for its solution upon the general policy of Her Majesty's Government," and that, therefore, a fair apportionment must be made of all the charge or cost of all frontier wars, according to the extent of the interest and of the means of each country.

Coming down to later times, the action of Mr. Gladstone on 27th April, 1885, to come to the House of Commons to ask for £11,000,000—and the House accepting his proposal—on the occasion of the Penjdeh incident, is again a most significant proof of the Imperial character of these frontier wars. He said (*Hansard*, vol. 297, p. 859):

"I have heard with great satisfaction the assurance of hon. gentlemen opposite that they are disposed to forward in every way the grant of funds to us to be used as we best think for the maintenance of what I have, upon former occasions, described as a National and Imperial policy. Certainly, an adequate sense of our obligations to our Indian Empire has never yet been claimed by any party in this country as its exclusive inheritance. In my opinion he will be guilty of a moral offence and gross political folly who should endeavour to claim, on behalf of his own party, any superiority in that respect over those to whom he is habitually opposed. It is an Imperial policy in which we are engaged."

50. If the test I have just proposed of dividing the whole Imperial Expenditure, and each deriving the benefit of the Services in proportion to the contribution, then the whole Army and Navy becomes altogether Imperial, and may be used in any part of the world at common additional expenditure.

Secondly. Apart from such Imperial partnership—whenever Indian forces are taken outside Indian limits—the expenses must be paid in full by the British Exchequer except when the interests are distinctly common, like that of the Frontier Wars, as a protection for both against Russian Invasion. In such case as I have already stated, expenses may be divided in some fair way, giving some consideration to the capacity of both.

On the other hand, in such wars as that of Abyssinia, and for the benefit of Egypt or the Cape Colony, no expenditure should be placed, ordinary or extraordinary, upon the Indian Revenues.

The only case which can come at all, outside of India, within the purview of common purposes like the N.W. Frontier Wars, is when the Suez Canal is actually threatened and has to be defended. Then, like common purpose, both India and Britain can make a fair share with some consideration for the poorer party. Aden should be considered as for Imperial purposes, and be divided in a similar way.

*The Employment
of Indian Army
outside India.*

With all other diplomatic or other expenses of Britain, India has no connection or interest, and should not be made to contribute. Now, sometimes this question of interest may not be so very obvious, and in any such difference some fair tribunal should be resorted to to decide the difference.

This question of tribunal has been already discussed in evidence, and I trust the Commission may be able to see their way to recommend some.

*The Apportionment
of War Office and
Admiralty charges.*

51. Apart from the important considerations to which I have already referred, and, taking the question as it exists now, I consider, as far as I can judge at present, that the Government of India has made out a fair case. I have heard the other side of the War Office and the Admiralty, and this I shall fairly consider, and give my opinion on, in the preparation of the Report.

*The Administrative
machinery of
Expenditure of
India.*

52. When, in August, 1894, we asked for an enquiry, Sir Henry Fowler said that a very strong indictment of the British Government of India had been brought before the House and the country (15.8 94). And then Sir Henry Fowler, when promising a Select Committee, himself challenged.

"The question I wish to consider is whether that Government, with all its machinery as now existing in India, has, or has not, promoted the general prosperity of the people in its charge; and whether India is better or worse off by being a Province of the British Crown."

And this is the question to which an answer has to be given by this Commission—whether the present machinery of administration and management of the Military and Civil expenditure incurred in both countries, has or has not," as one of its results, "promoted the general prosperity of the people" of British India.

I say that it has not promoted the general prosperity of the people. In the statements I have given in I have considered every aspect of this fact, which was the most important point of the enquiry. The most important criticism, therefore, to which this machinery is subject, is that it is based on the basis of foreign domination. This is its worst evil. It is a machinery for, what Lord Salisbury very correctly calls, bleeding. However perfect the mere rules of the work to be done by the officials may be, the system or machinery is a crushing machinery. It produces, in the words of Lord Salisbury, a "terrible amount of misery."

The machinery not only "bleeds" directly, but, by the economic exhaustion of the people, leaves the resources of the country entirely at the mercy and disposal for exploitation by foreign Capitalists. I have in my six statements shown this fully.

India cannot afford to be governed by this crushing machinery.

The Duke of Devonshire and Sir William Hunter have quite truly pointed out what I have already quoted, that India must be governed by its own native labour, and at native rates. In the rates, although with equal efficiency, there will be at least one-third saving according to Government's own scale; but I feel that more saving can be made. In reality the employment of a native is a whole saving to the country, inasmuch as it provides a native, and the money remains in the country to fructify in the people's own pocket, instead of its being consumed and carried away by somebody else.

This machinery inflicts the triple calamity of depriving the Indians of wealth, employment and experience.

One of two ways, or partly both ways, must be adopted to improve this machinery and remove its chief fundamental evil. Both these ways I have already indicated.

(1) That Native labour must replace foreign labour, and (2) if any amount of foreign labour is considered as absolutely necessary, as it is insisted on as being necessary for the maintenance of British rule in India, and British Supremacy in the East, the British Government ought in justice to pay a share for its common interest with that of India. The machinery may be divinely perfect in its rules; but in its constitution, or *personnel* it has a deep evil, and this evil ought to be remedied if Britain is to be a blessing and a benefit both to India and itself. At present this machinery renders Britain an evil to India instead of a benefit and blessing.

53. I have not much intervened in examining details of Departmental expenditure, which have been examined with much trouble by the Chairman, and so also the question of financial control. Such examination at proper intervals, as used to be the case in the time of the Company, serves the important purpose of keeping the Government up to mark in care of expenditure. But unless the whole administration of expendi-

ture is put on a natural basis all examinations of details of Departmental expenditure, &c., will be only so much "palliating the symptoms," and will bring no permanent good and strength either to the Indian people or to the British Supremacy.

However much you may change the rules, or system of work, as long as this evil lasts, as at present, there cannot be good or beneficial government of India. My statements fully prove this.

As this Return (192 of 1892) on the salaries shows, there are about Rs.150,000,000 paid annually for salaries, &c., above Rs.1,000 per annum. Add to this all that is paid to the European soldiers, and in a rough way it can be said that about Rs. 180 or 200,000,000 are paid to Europeans every year. I asked for the correct amount, but have not obtained it.

Economically it is a loss to Indians, and more especially the portion that goes clean out of the country as savings and pensions and salaries paid in this country. I take an instance: Suppose a European servant draws a salary of Rs.1,000 a month. He uses a portion of this for all his wants, of living, comfort, &c., &c. All this consumption by him is at the deprivation of an Indian, who would and could, under right and natural circumstances, occupy that position, and enjoy that provision. This is the first partial loss to India, as, at least, the services enjoyed by the European are rendered by Indians as they would have rendered to any Indian occupying the position. But whatever the European sends to England for his various wants, and whatever savings and pension he ultimately, on his retirement, carries away with him, is a complete drain out of the country, crippling her whole material condition and her capacity to meet all her wants—a dead loss of wealth, together with the loss of work and wisdom, *viz.*, the accumulated experience of his service. Besides, all State expenditure in this country is a dead loss to India.

This evil of bleeding must be removed from the present machinery of administration of expenditure, as I have said, by treating India justly for common purposes, and by substituting native labour for foreign or European labour. The Rs.200,000,000 are not by themselves the only evil. They return in the shape of capital and drain away a great deal more.

The present machinery of foreign domination of Government is most destructive in every way. If England were subjected to such machinery, notwithstanding all its present great wealth, it will be, like India, impoverished before long. The one other necessity to improve the machinery is that the people themselves must have a voice in its conduct. Till the people themselves have a voice, it is simply an Oriental despotism, and India does not derive that blessing which it has a right to demand from Britain, of a constitutional government in place of a despotic government of the worst kind—"the heaviest of all yokes is the yoke of the stranger," as Macaulay has truly said.

The present machinery requires to be improved by the employment of native labour, by a fair share in the expenditure of all that is insisted as necessary of foreign element in the service, to maintain British rule, and to give to the Indians the true and the only important blessing of the British rule—the right of British citizenship of having a voice in its own expenditure, thereby fulfilling all the solemn pledges and Acts of Parliament which the British people by every honour are bound to fulfil, and which have been so far dishonourably ignored and not fulfilled by the Executive Governments in both countries. I feel bound to repeat, that if the machinery of a number of Native States, as suggested by Lords Salisbury and Iddesleigh, be carried out, all the requirements of Britain's best interests and India's best interests will be fully realised and fulfilled.

I do sincerely hope that this Commission will see their way to an improvement of the present machinery in a way beneficial both to England and India.

54. I may add here, with my agreement, to what I have already quoted from Sir Wm. Hunter: "But the good work thus commenced has assumed such dimensions under the Queen's Government of India that it can no longer be carried on or even supervised by imported labour from England, except at a cost which India cannot sustain," . . . "forty years hereafter we should have had an Indian Ireland multiplied fifty-fold on our hands. The condition of things in India compels the Government to enter on these problems. Their solution, and the constant demand for improvement in the general Executive, will require an increasing amount of administrative labour. India cannot afford to pay for that labour at the English rates, which are the highest in the world for official service. But she can afford to pay for it at her own native

rates, which are perhaps the lowest in the world for such employment." "You cannot work with imported labour as cheaply as you can with native labour, and I regard the more extended employment of the natives not only as an act of justice, but as a financial necessity." "The appointment of a few natives annually to the Covenanted Civil Service will not solve the problem. . . . If we are to govern the Indian people efficiently and cheaply, we must govern them by means of themselves, and pay for the Administration at the market rates of native labour."

This, I say, is a fair statement of the principal imperfections and evils of the present machinery, and must be improved as suggested.

55. This peculiar inherent evil or fundamental error in the present British Indian Administration and Management of Expenditure, and its consequences, have been foretold more than a hundred years ago by Sir John Shore (1787): "Whatever allowance we make for the increased industry of the subjects of the State, owing to the enhanced demand for the produce of it (supposing the demand to be enhanced), there is reason to conclude that the benefits are more than counterbalanced by evils inseparable from the system of a remote foreign dominion." And it is significantly remarkable that the same inherent evil in the present system of Administration and Management of Expenditure, has been, after nearly a hundred years, confirmed by a Secretary of State for India. Lord Randolph Churchill has said in a letter to the Treasury (1886): "The position of India in relation to taxation and the sources of public revenue is very peculiar, not merely from the habits of the people and their strong aversion to change, which is more specially exhibited to new forms of taxation, but likewise from the character of the Government, which is in the hands of foreigners, who hold all the principal Administrative offices, and form so large a part of the Army. The impatience of the new taxation which will have to be borne wholly as a consequence of the foreign rule imposed on the country, and virtually to meet additions to charges arising outside of the country, would constitute a political danger, the real magnitude of which it is to be feared is not at all appreciated by persons who have no knowledge of or concern in the Government of India, but which those responsible for that Government have long regarded as of the most serious order."

Lord Salisbury, as Secretary of State for India, put the same inherent evil in this manner: "The injury is exaggerated in the case of India, where so much of the revenue is exported without a direct equivalent." And he indicates the character of the present system of the Administration and Management of Expenditure as being that "India must be bled." I need not say more upon this aspect of the inherent evil of the present system and machinery of expenditure.

I give these opinions in these words as I agree with them, and as very significant as coming from high authority.

Almost in words of prophecy Sir David Barbour and Lord Lansdowne uttered these words only four years ago on the present machinery of Government.

Sir David Barbour said: "The financial position of the Government of India at the present moment is such as to give cause for apprehension." "The prospects of the future are disheartening."

Lord Lansdowne, as Viceroy, said: "We should be driven to lay before the Council so discouraging an account of our Finances, and to add the admission that, for the present, it is beyond our power to describe the means by which we can hope to extricate ourselves from the difficulties and embarrassments which surround us." "My hon. friend is, I am afraid, but too well justified in regarding our position with grave apprehension." "We have to consider not so much the years which are past and gone as those which are immediately ahead of us, and if we look forward to these, there can be no doubt that we have cause for serious alarm."

And now within four years India is visited by the greatest and direst calamities, as was feared. When will there be an end of these calamities?

Sir George Wingate says, with which I agree, with regard to the present system of expenditure: "Taxes spent in the country from which they are raised are totally different in their effect from taxes raised in one country and spent in another. In the former case the taxes collected from the population . . . are again returned to the industrious classes But the case is wholly different when the taxes are not spent in the country from which they are raised They constitute an absolute loss and extinction of the whole amount withdrawn from the taxed country might as well be thrown into the sea. . . . Such is the nature of the tribute we have so long exacted from India. From this

explanation some faint conception may be formed of the cruel, crushing effect of the tribute upon India." "The Indian tribute, whether weighed in the scales of justice, or viewed in the light of our own interest, will be found to be at variance with humanity, with common sense, and with the received maxims of economic science."

56. This is my criticism on the most vital aspects of the present machinery of the Administration of expenditure. It is destructive to India, and will be disastrous to England, and cannot promote the general prosperity of the people. My statements have been in the hands of the Commission from nine to fifteen months (the sixth being about six or seven weeks), and I cannot but trust that the Commission will have fully examined them, and know my views on the most important references to them, viz., the Administrative Machinery of Expenditure and the apportionment of charges for common purposes.

57. Further, there is one thing very unfortunate. In the Governments of India, in both countries, there is great disinclination to give information, especially if it is likely to tell against them. Even such information as Parliament prescribes, and the Government of India itself tabulates.

In the Act of 1858 (Sec. LIII.), Parliament provided that, among other information for its guidance, the Indian Authorities should lay before it every year "A Statement prepared from detailed Reports from each Presidency and District in India, in such form as shall best exhibit the Moral and Material Progress and Condition of India in each such Presidency." Thereupon such Reports were ordered by the Government of India to be prepared by the Government of each Presidency.

As a beginning the Reports were naturally imperfect in details. In 1862 the Government of India observed: "There is a mass of statistics in the Administration Reports of the various Local Governments. . . . but they are not compiled on any uniform plan. . . . so as to show the statistics of the Empire (Fin. Con., June, 1862)." The Statistical Committee, which the Government of India had organised for the purpose, prepared certain Forms of Tables. And after receiving reports on those forms from the different governments made a Report to the Government of India, with revised Forms of Tables (Office Memorandum, Financial Department, No. 1043, dated 28/2/66). The members of this Committee were Mr. A. Grote, president, and Messrs. G. Campbell, D. Cowie, and G. Smith.

Now if all these tables of the different departments were fully and carefully given in the Annual Administration Reports, the non-official public, and, for the matter of that, the officials themselves, would be able to judge correctly the character of the efficiency or inefficiency of the Departments. But the non-official public and Parliament have no means afforded them by the Government to understand and judge fairly the working of the whole machinery. The machinery of every department is a monstrosity—a huge heavy weight of lead, of high salaries to a few Europeans, at the top, and the under-machinery, from which all work originates, is very weak, underpaid, and offering every temptation to corruption and oppression, and consequently both insufficient and inefficient, or worse than inefficient, as in the case of the police.

58. If India were allowed the benefit of its own production, instead of being bled unceasingly, it is capable of giving as full resources to Government as this country is. But this is not allowed. Compare the expenditure incurred in this country to enjoy efficiency of Administration and protection with the wretched provision in India, simply because India is not allowed to enjoy its own, and consequently the whole machinery of Government is unworthy of an English Administration. All this great imperfection and discredit would become clear to the public if the Administration Reports gave all the information which Parliament has asked, subject to such improvements as may be suggested from time to time. This is the chief reason why the non-official public in India are unable to criticise this machinery. Criticism presupposes knowledge and information of the subject, and this cannot be got. If we criticise without precise information, from general belief, &c., we are at once come down upon as recklessly attacking Government without knowledge, ill-informed agitators, and what not, when really the head and front of the offence is the Government itself.

59. I shall read the comparison I have made, between the expenditure of this country and of India, to show that with India's poor expenditure on India's benefit, after the bleeding, makes inefficiency and insufficiency of Government as a matter of course. The Duke of Devonshire, Lord Salisbury, Sir Wm. Hunter, and others,

are perfectly justified in their views about the inefficiency and insufficiency of the Government of India.

And then I have got this table of comparison between the expenditure incurred here for the sake of efficiency, and the expenditure we can only provide from very poor resources of India, which, of course, must naturally be insufficient and inefficient in government.

Statistical Abstract, 43rd Number, Ret. C 8,209, 1896.]

UNITED KINGDOM, 1896.

EXPENDITURE.

Interest (excluded)...	...	...	...	...	...	...	...	...
Civil List and Civil Administration	...	...	...	...	...	...	...	21,251,357
Army...	...	...	...	...	...	...	...	18,459,800
Navy (excluded)	...	...	...	...	...	...	...	...
Charges for the collection of the Revenue	...	...	...	...	...	...	...	13,119,000

52,830,157

Total Expenditure for Administration and Protection (excluding the Navy and Interest) (say) £53,000,000.

For a population of 39,465,730 (say 40,000,000), or £1 6s. 6d. per head, (excluding the Navy and Interest).

Take as an instance, Public Education—

U. K., 1896—£9,120,952, mostly for Primary Education for 40,000,000, or 4s. 6d. per head.

India, 1894-5—Rx. 1,511,223 (say Rx. 1,500,000) (of this Government grant is Rx. 910,972, and Local Rates, Rx. 571,008) for all kinds and grades of education for 230,000,000, or nearly six times the population of the United Kingdom—or 1 anna, $\frac{1}{2}$ pie per head (1.04, or $1\frac{1}{4}$ annas per head).

Ret. C 8,238, 1896.]

BRITISH INDIA, 1894-5.

Rx.

(Interest excluded) ..	...	...	...	...	...	...	...	...
Post Office, Telegraph, and Mint	...	...	...	...	...	...	...	2,466,175
Salaries and Expenses of Civil Departments	...	...	...	...	...	...	...	14,835,209
Miscellaneous Civil Charges	...	...	...	...	...	...	...	6,065,705
Famine Relief and Insurance	...	...	...	...	...	...	...	610,235
Buildings and Roads	...	...	...	...	...	...	...	5,352,801
Army Services	...	...	...	...	...	...	...	24,096,091
Special Defence Works	...	...	...	...	...	...	...	217,867
Provincial Expenditure defrayed from Provincial Balances...	...	...	...	...	...	...	...	560,860
Direct Demands on Revenue	...	...	...	...	...	...	...	9,722,041

63,926,984

Deduct Refunds 280,555

Total Expenditure for Administration and Protection ... 63,646,429
Say Rs. 640,000,000 (for nearly six times the population)

Taking the population of 1891 221,172,952

Add 4 years 4 per cent. 8,846,918

230,019,870

(Say 230,000,000, or Rs. $2\frac{1}{2}$ per head.

2.—EVIDENCE-IN-CHIEF OF MR. DINSHA EDULJI WACHA.

APRIL 5th and 8th, 1897.

I represent the Bombay Presidency Association, of which I am one of the Honorary Secretaries, since the date of its establishment in 1885, say twelve years. The Association is established for the advocacy and promotion of the public interests of India by all legitimate and constitutional methods, for the due fulfilment of which Rule 2 prescribes that it "shall, whenever necessary or expedient, hold meetings which may be made open to the public for the discussion of public affairs, prepare and submit memorials or petitions to the Provincial or Imperial Government, or the British Parliament in England, or other authorities for the removal and prevention of injurious measures, and the introduction of others which may be calculated to promote the general interests of this country, and otherwise to take such action as may be considered conducive to the accomplishments of the purposes in view."

Qualifications.

I am, besides being the Honorary Secretary of the Bombay Presidency Association, Honorary Joint General Secretary of the Indian National Congress, and a Member of the Bombay Municipal Corporation. I am also the Managing Agent of a large and flourishing cotton mill, and a Member of the Managing Committee of the Bombay Mill Owners' Association. For many years past I have employed my leisure hours in the study and discussion of public affairs, specially on finance and economic subjects, and have regularly contributed to the local press many articles on these subjects. I have also taken, and am still taking, an active part in the many public movements in the city. At the Annual Sitings of the Indian National Congress I have made speeches on military expenditure from time to time, as well as on such topics as cotton duties, income tax, exchange compensation and so forth. Similarly I have taken active part as Secretary of the Bombay Provincial Conference, which annually meets in some prominent town of the Presidency, and have addressed delegates at such on the expanded legislative councils, on the way in which provincial budgets are discussed thereat, and on other matters, including the revenue from the drink traffic. On the latter question, to which I have devoted close attention, I wrote a series of articles in the *Bombay Gazette*, which I afterwards reprinted in pamphlet form, copies of which were forwarded to the Bombay Government, the Government of India, and the Secretary of State. In my honorary capacity as the Secretary of the Bombay branch of the Anglo-Indian Temperance Association, I memorialised the Government, pointing out the evils of their excise system, and criticised, as Secretary of the Presidency Association, the Mōura Bill, which the entire Presidency condemned. I also issued a pamphlet on the burning question of agricultural distress, and the impoverished condition of the Indian peasantry, chiefly basing my criticism on the official facts embodied in the report of the condition of the people which was published on the eve of Lord Dufferin's departure. I have taken a leading part at meetings of the Bombay Mill-owners, and have spoken on questions affecting cotton industry. Last year I contributed to the *Times of India* a series of letters on the growth of revenue and expenditure of the Bombay Municipality, and I have been continually contributing articles to the Press on Imperial and Provincial finance. I was elected

President of the Provincial Conference held at Belgaum in 1895, where I broadly surveyed in my inaugural address the financial condition of India. At the last Sittings of the Indian National Congress, held in December, 1896, the following resolution was passed:—

“That this Congress desires to place on record its sense of satisfaction at the delegation by the Bombay Presidency Association of Mr. Dinsha Edulji Wacha, Joint General Secretary of the Congress, to give evidence before the Royal Commission on Expenditure, and the Congress has full confidence that Mr. Wacha will give accurate and adequate expression to its views on the questions which form the subject of enquiry.”

Form of Evidence.

Following the procedure adopted by the Commission, I have divided my evidence into three parts.

I. FINANCIAL MACHINERY.

1.—*Financial Machinery.*

It is, no doubt, highly essential for the economic administration of the Empire that its finances should be closely looked into and steadily watched, especially in India, where the people have no direct voice in checking or controlling it; and where, besides, they are governed by a foreign agency which, more or less, is not in touch with popular sentiments and popular wants and requirements. Again, bearing in mind that the people are poor on the whole, the progress of enhanced and new taxation needs serious consideration, as such taxation can only be compatible with their ability. As a matter of fact, for years past, at any rate since 1875, expenditure is growing at a rapid pace, and demands the strictest control and check. The Finance Minister may endeavour to do his best, but so long as the financial machinery is imperfect, and whenever he remains with insufficient support from the Viceroy and other colleagues in the Viceregal Council, he cannot do much. He may endeavour to discharge his duty very much like “a sort of watch dog on behalf of the taxpayers” (that is an expression of your Lordship), but so long as the voice of the taxpayers themselves is not heard for good in the Council, it is not possible to keep that right control which checks all extravagant or doubtful expenditure. At present a certain line of policy may be followed by a Viceroy or the Secretary of State which may entail on the taxpayers heavy permanent burdens. For instance, the so-called “forward” policy steadily pursued since the days of the unrighteous second Afghan war (save during the beneficent administration of Lord Ripon) has been principally the cause of heavy military expenditure necessitating taxation. The expenditure since the date of the Penjdeh scare has been mounting higher and higher. Upper Burmah was annexed to the Indian Empire, notwithstanding the fact that the Indian community generally protested against such annexation to India, and suggested its being made a Crown Colony like Ceylon. The First Indian National Congress, held in Bombay in December, 1885, protested against the annexation.

I agree generally with what Sir David Barbour and Sir Auckland Colvin have said regarding the weak spots in the financial machinery of the Government, and we Indians are thankful for their expression of opinion. (Q. 1854 to 1890, and 2879 to 2894.) But what I beg to urge is this, that, however economic in his tendencies a Finance Minister may be, or even a Viceroy, so long as those who pay the taxes have no effective voice in the Councils of the Empire, the control of expenditure within due limits, and with a regard to the capacity of the taxpayers, no financial retrenchment can be hoped for. For example, Indian public opinion believes that the present Finance Minister, Sir J. Westland, has not shown so much zeal in checking expenditure as his three immediate predecessors.

It is true that under the expanded legislative Councils, both Provincial and Imperial, there are a few non-official members who are indirectly elected as the representatives of the people. Their presence in the Council is most valuable. They are mostly leading public men who have devoted much attention to financial matters, and are in a position to represent the taxpayers' point of view; but, after all, their criticism cannot be considered effective so long as they are debarred from bringing motions for the curtailment of expenditure in a Budget and dividing the Council thereon. There is a consensus of opinion on the subject among Indians that this privilege should be

conceded, and is absolutely needed. The Congress has more than once passed resolutions on the matter; but, unfortunately, like many other resolutions of the Congress, which are regularly forwarded for consideration to the Imperial Government, they are unheeded.

What practical good such a privilege, if conceded to the popular representatives of the various legislative Councils, may do, may be judged from the exceedingly able way in which the Honourable Mr. P. M. Mehta, President, Bombay Presidency Association, acquitted himself in the Viceregal Legislative Council two years ago. All India to a man was gratified at the criticism he brought to bear upon the finances, and the way in which he denounced the iniquitous exchange compensation allowance. But, of course, such criticism is distasteful to the official members, and when there is a Finance Minister like the present one he resents it, as he resented Mr. P. M. Mehta's speech. It is felt that if leading Corporations at Bombay, Calcutta and Madras, and the various local and district boards, are allowed to discuss and vote their respective Budgets, there could be no reason for withholding the same privilege, which is still more needed, at Budgets in the Imperial and Provincial legislative Councils. The Bombay Municipal Corporation has been more than once praised by the Government of India and the State Secretary for its successful management of the civic finance. I, myself, as one of the representatives of the ratepayers, have brought forward motions from time to time for reduction of unnecessary expenditure or expenditure of doubtful utility. And on the whole the effect of such division has been of a wholesome character, and calculated to keep a good check and control over the spending departments.

It has, however, been alleged that such concession might sometimes defeat Government, which is not desirable. This allegation carries its own refutation. For, as a matter of fact, under the standing rules the Government has always an official majority, and if such a thing happens as the defeat of Government it shows that there must be an overwhelming case made out by the non-official members to lead to such a division. My suggestion, therefore, under this head of financial machinery, is, that the rules should be so altered as to allow members to bring motions at Budget-time and divide the Council thereon. We strongly advocate the proposal of Sir W. Wedderburn for the appointment each year of a Select Committee on East Indian accounts to report to the House of Commons regarding the financial position of India. Such a Select Committee would find in the amendment voted in the Legislative Councils valuable material for consideration. The non-official members of Legislative Councils would then be stimulated to careful criticism on Indian finance.

It is also very desirable in connection with the Budget in the Viceregal Council that its members, as well as a few outside public bodies like Chambers of Commerce and recognised Associations, should be supplied with copies of the Civil and Military estimates, which contain details of the revenue and expenditure of each province, before the Budget is brought forward. At present they are not accessible to the members or to such bodies. The Civil Estimates are made available only a year after the Budget to which they refer has passed by, when all practical interest in them has died out. The Military Estimates, so far as my knowledge goes, are never made available. This is a great drawback. The public criticise the Budget in darkness. A great deal of ill-informed or ignorant criticism would be avoided, while bodies like my Association would be in a better position to make suggestions or offer criticism if such copies were previously supplied. I may say that the Bombay Legislative Council does furnish such a detailed statement to members of its local Council, which greatly helps them to debate the Budget.

A word or two may also be said under this head on minor matters in connection with the Annual Financial Statement. Firstly, the revised estimates invariably exceed the Budget estimates, and the Accounts are generally better than the revised estimates. From the table I have prepared of Budget estimates, revised estimates and accounts for the last ten years, and which I beg to put in as appendix to my evidence, this will be clearly seen. It would seem to show that apart from Budget estimates even revised estimates are not yet so carefully prepared as they should be. Bearing in mind that these estimates are made a month or so before the accounts for a financial year are closed, I am of opinion that there should be no such striking variations between them and the actuals as are revealed in the table.

Secondly, as to exchange. This item can only be considered as an ordinary one, like any other item of expenditure. But much is made of its fluctuating character. It

is regarded—as Sir A. Colvin observed, in his contribution to the “Nineteenth Century” for October, 1894, on “Indian State Expenditure”—in the light of the lodging-house cat. “All surplus that disappears, every estimate which is reduced to fragments, is due to this mischievous beast. No limits are assigned to its appetite, yet no provision is made for its voracity.” My suggestion is that under present circumstances, at any rate till the time again arrives for a stable exchange, it would be better to take exchange at a fixed rate from year to year, say at 14 or 14½ pence per rupee in the Budget estimate. Should, at the end of the year, it be found that the actual amount incurred under this head is less than the estimate, the difference to be credited to an account to be called “Exchange Equalisation or Reserve.” In case at any other time the amount incurred is in excess of the estimate, the difference should be taken from this Reserve account. By adopting such a course a certain stability will be imparted to the finances, while it will prevent the Finance Minister from attributing this, that and the other increase to this *deus ex machina* of exchange.

Again, the present practice of at once disposing of the so-called “improvement” in exchange should be put a stop to. As Indian finances go there is a desire to utilise rather prematurely so-called “surplus,” owing to better exchange, though it may happen the very next year that exchange may be worse, leading either to economies here and there, or encroachments on provincial balances, or fresh taxation. This cannot be considered sound finance. At any rate, knowing as we do the chronic embarrassments of the Indian treasury, financial statesmanship would suggest not to be too hasty in disposing of such a sort of surplus. It is more in the nature of a fortuitous windfall, and should not be depended upon. Take the latest instance. In the financial statement for 1896-97 there was a surplus, chiefly owing to better exchange. Straightway half-a-crore was gifted away to Manchester by reducing the import duty on cotton goods from 5 to 3½ per cent., on the hollow plea of protection, though the Chambers of Commerce, recognised associations, including the Presidency Association and the Bombay Mill-owners, all protested against the plea put forward. It was felt as a sop to Manchester in loyal obedience to the “mandate” from the Secretary of State. Another half a-crore was at once voted for purposes of mobilisation, though large sums in previous years had been expended on this object, despite our being told that it was not a recurring expenditure. But no sooner was the crore thus disposed of than famine overtook the land, necessitating a large expenditure. Had the crore not been so hastily voted away for objects hardly approved by the Indian public, it would have been available to partially diminish the deficit which is now announced in the revised estimates for 1896-97.

*Provincial
Contracts.*

Under this head the Provincial Conference held at Karachi last year, the Bengal Conference, and the Congress at Calcutta, all passed resolutions demanding a more equitable mode of fixing the quinquennial allotments. In substance all these resolutions stated that the time had arrived when a further step should be taken in the matter of decentralisation by leaving the responsibility of the financial administration of the different provinces principally to the Local Governments, the Supreme Government receiving from each local government only a fixed contribution levied in accordance with some definite equitable principle, which should not be liable to any disturbance during the currency of the period of contract except in “dire emergencies,” as contemplated by Lord Ripon’s Resolution, so as to secure local governments that fiscal certainty and that advantage arising from the enhancement of the revenues which are so essential to all real progress in the development of the resources and in the satisfactory administration of the different provinces. It would be well that in each case the Government of India should record a declaration showing the dire necessity which has made it necessary to infringe the original contracts with the provincial Governments. And the contributions taken from the different provinces should be taken on the basis of the original contracts. It is thought that at present, not only the Imperial Government takes a larger portion of the provincial revenue at the renewal of each contract, but makes further demand on the Provincial Governments when it has to meet a very large expenditure. This policy hardly engenders an economic spirit in the Government of India. It checks provincial expenditure, but there is none to check its own. It is the old story of who will keep in custody the custodian. It is, therefore, suggested that the Provincial Governments should respectively contribute to the State treasury a certain fixed percentage of their revenue, and reserve the rest for their own expenditure. If 40 per cent. is so reserved, it would not only impart uniformity, but remove the present

complaint of unequal contribution. The older and richer provinces are made to pay partially for the expenses of the newer and poorer. The advantages claimed under the system proposed by the Congress and the Conferences are these :—

(1) That each province will be in a position to work out its own financial salvation exactly in the way in which a kingdom self-contained and self-managed does.

(2) That it will enable each province to develop its material resources with the revenue it may make available on objects of utility.

(3) That it will be unfettered by any obstruction from the Imperial Government.

(4) That the Imperial Government would only obtain as much as would suffice for its reasonable requirements, and not for expenditure on objects of doubtful utility or on profitless border expenditure and so forth, including so-called strategic railways and military works.

(5) That thus the Imperial Government would be compelled to cut its coat according to its cloth and exercise the strictest economy in Imperial expenditure. A sort of automatic check will be exercised. These checks would operate usefully as a financial control over the expenditure of the Government of India

II.—PROGRESS OF EXPENDITURE.

2.—*Progress of Expenditure.*

For purposes of comparison I have taken 1884-85 as the standard year for two reasons. Firstly, my Association, in its memorial to the Indian Government, in March, 1894, complained of the excessive growth of civil and military expenditure during the years following 1884-85, and pointed out that the increased expenditure was principally to be attributed to that expenditure, and not to the increasing expenditure on exchange, which was only a subordinate factor. Secondly, because in 1884-85 revenue and expenditure nearly balanced each other after the many vicissitudes to which Indian finance was subject by famine and the second Afghan War, and after the laudable remission of taxation to the extent of nearly three crores of rupees during the administration of Lord Ripon with Sir Evelyn Baring (now Lord Cromer) as the Finance Minister.

I may also observe that, in comparing the growth of expenditure from 1885-6 to 1894-95, I have taken the average increase of the decade, as being more accurate and satisfactory. For instance, take one item of expenditure, say the net charge on the Debt Services. These amounted in 1884-85 to Rx. 3,907,848; in the year 1894-95 it was Rx. 4,308,955. Apparently, the difference in the amount between the two years would show an *increase* of Rx. 401,107. If, however, the average of the annual growth of the ten years was taken, it would be found that the charge was Rx. 3,728,949, or a *decrease* of Rx. 178,999 over 1884-85.

According to the Parliamentary Return of Income and Expenditure, dated 27th March, 1896, the net expenditure for the ten years ending with 1894-95 amounted to Rx. 545,854,292, while the net revenue was Rx. 546,319,618, showing a net surplus during the decade of Rx. 465,326. It meant that the expenditure just balanced the revenue and left an insignificant surplus of half-a-million tens of rupees. It should, however, be remembered that enhanced taxation on salt, and the imposition of the income tax, and that of the import duty on certain classes of merchandise in 1894-95, yielded Rx. 23,996,829. But for this amount there might have been a deficit of Rx. 23,531,503, or say 2.35 million Rx. per annum. But even this is not the full measure of the deterioration of the finances during the decade under review. The Famine Insurance Grant was now and again partially suspended—in all, amounting to Rx. 4,530,114, while the provincial balances were encroached upon to the extent of Rx. 890,000. When these additional items are taken into consideration, it would be found that the deterioration or deficit amounted to Rx. 29,406,943, minus Rx. 465,326.

I attribute this deterioration in the finances, which necessitated additional and enhanced taxation, to the enormous growth of military expenditure in the first instance, and, secondly, to a considerable increase in the civil expenditure. But the main disturbing factor was military expenditure; but for the growth of which the revenue could have fairly borne the increasing burden of exchange without any of the taxation imposed.

Thus:

	Rx.
Net Expenditure in ten years	545,854,292
Deduct increased net Army Charges over 1884-85, exclusive of exchange	37,494,770
	<hr/>
	508,359,522
Net Revenue in ten years was	Rx. 546,319,618
Deduct New Taxation, Famine Grant suspended, and Provincial Balances	29,406,943
	<hr/>
	516,912,675
	<hr/>
	Net Surplus 8,553,153

The increase of Military Expenditure was mainly owing to the addition of 10,000 European and 20,000 Native Troops in 1885. On this subject a resolution was passed at the First Indian National Congress (1885) as follows: "That in the opinion of the Congress the proposed increased Military Expenditure of the Empire is unnecessary, and regard being had to the Revenues of the Empire and the existing circumstances of the Country, excessive." I seconded this resolution, and gave my reasons in support of it.

On the same subject, namely, this increase of Troops, the Bombay Presidency Association forwarded on January 27th, 1886, a Memorial, prepared by me, to Lord Randolph Churchill, the then Secretary of State, protesting against its necessity. It pointed out that, bearing in mind the Report of the Simla Army Commission, that for all purposes of internal defence and repelling external aggression on the Frontiers, the then existing strength of the Troops was sufficient, the Association failed to understand the reasons for augmenting it, when seventeen millions were being already spent per annum as the Army was then constituted; that successive Viceroys and Finance Ministers had deplored from time to time the growth of the expenditure, and emphasised the necessity of curtailing it; that the Government of India itself, in its despatch of November 21st, 1884, pointed out how the growth occurred; that of the net average growth of Rx. 670,000 per annum in the ordinary revenue during the decade ending 1883-84, the army charges alone absorbed Rx. 144,000; (during the same decade the growth of the net land revenue was Rx. 400,332, or say Rx. 40,000 per annum—so that increased Military Expenditure absorbed in one year the net increase in land revenue of three years and a-half); that the Indian Exchequer had no reserve to fall back upon; that there was no true surplus to speak of while the periodic calamities of famine, let alone other unforeseen contingencies, had generally to be met with borrowed monies which only swells the permanent interest on the Revenue; that, reviewing in 1879 the finances of India for the seven preceding years, Sir John Strachey, a former Finance Minister, observed that "India had no true surplus of revenue over expenditure to cover the many contingencies to which a great country is exposed"; that such being the ordinary condition, the Association would leave to the Secretary of State to consider how the finances could bear the severe strain that was then about to be put upon them to the extent of two millions sterling per annum; that, in its despatch of February 8th, 1878, the Imperial Government observed that "placed as it was under the serious responsibility of so administering the affairs of the greatest dependency of the British supremacy, that while British supremacy is strictly guarded, the means of securing that end shall not unduly weigh on the people of this country, it was constrained to represent to Her Majesty's Government that the burden thrown upon India on account of the British troops is excessive and beyond what an impartial judge would assign in considering the relative material wealth of the two countries and the mutual obligations that subsist between them—all that we can do is to appeal to the British Government for an impartial view of the relative financial capacity of the two countries to bear the charges that arise from the maintenance of the army of Great Britain, and for a generous consideration of the share to be assigned by the wealthiest nation in the world to a dependency so comparatively poor and so little advanced as India—owing to the poverty of the people and their consequent inability to bear taxation, it was unable to supply the funds required for the most necessary and desirable objects"; that the Secretary of State will, on a reconsideration of the whole question in all its bearings, political and

financial, be pleased to recall the instructions issued on the subject, and at the same time take such measures for the curtailment of the over-grown Military Expenditure as to bring about a sounder and healthier state of Indian finance generally; that should Her Majesty's Government adhere to their resolution to carry out the proposed increase in the Army, the Association submitted that the expenditure thereon should be met from retrenchment, for which there was great scope, and not from increased taxation, and that the Imperial Government of England be asked to share the greater portion of the burden; and, lastly, that a stringent system of check and control be established so that encroachments on the revenues of India may be effectually prevented. I beg to put in this Memorial.

These were the views expressed eleven years ago on Military Expenditure by the Association, which the course of events has now greatly emphasised. For beyond the expenditure on the increased troops there has been a very large expenditure on strategic railways, on arms and ammunition, on mobilisation, on a variety of border expeditions beyond the statutory frontier of India, special defences, military roads, and the occupation of Upper Burmah. The Association, therefore, is of opinion that it is the increased Military Expenditure which is primarily responsible for the embarrassed condition of Indian finance during the period under review. I beg to put in a copy of the Memorial.

I may observe that in response to the invitation issued to leading public bodies by the Finance Committee appointed by the Government of India, the Bombay Presidency Association forwarded on 27th August, 1886, a Memorandum on the retrenchment of expenditure as prepared by me. That Memorandum, which I beg to put in, reiterated in brief its protest against the burden of two millions sterling on the additional troops, as well as the outlay on frontier railways and other military works, and observed that those were all elements of danger to the stability of Indian Finance; that loss by exchange was liable to swell with further fall in the value of silver measured by gold; that while it disturbed the Indian Exchequer, it was within the power of the Government to mitigate to some extent the evils arising from it, provided the causes which created the heavier burden were fairly faced, namely, the home charges; that these would grow in future with the increased Military Expenditure and with the increase of sterling debt and of salaries and pensions which had to be paid in gold; that a material reduction under exchange could only be looked for when there was a corresponding material reduction in those charges; that it was essential for the Indian Government to urge strongly on the Secretary of State the desirability of devising some scheme to commute in silver the liabilities that had to be met by gold payments; that, if possible, the guaranteed interest on railways should be reduced by opening negotiations with those Companies as suggested in 1882 by Sir John Strachey and General Strachey at pages eighty and eighty-three of the "Finance and Public Works of India"; that at the same time it was expedient to contract payment in silver only, so far as it may be possible, of all liabilities and obligations which the Government may have to incur hereafter, as well as salaries, pensions, and gratuities of every kind and nature; that, beyond, the charges which entail loss by exchange, which in all fairness should be borne by the British Treasury, such as the Aden Residency, the Persian and Chinese Embassies, and other minor political establishments, should also be paid by England, as well as rents, taxes, and charges on buildings in London constructed at India's expense, besides other miscellaneous charges too numerous to mention; that the burden of the cost of the European agency was very heavy, as detailed in the table appended to the Memorandum; that a very large saving might be effected by the more extensive employment of Natives in posts which are now filled by highly-paid Europeans; that the annual migration of the Supreme Government to Simla was injurious financially and by reason of the length of the period over which it extended (the cost being according to a Parliamentary return, August 26th, 1886, 7 lakhs; but it is generally believed it is actually considerably more); that the cost of collection of land revenue was growing larger; so, too, the customs and salt establishments; that the cost of superior establishment in the P. W. Departments and the cost of General Administration, too, had grown since 1870-1; that expenditure in the Bombay Presidency under various heads was large and susceptible of reduction; that it was imperative expenditure should be adjusted to income rather than income to expenditure; that the interests of India in expenditure were not sufficiently protected under the constitution of the Council of India in England, and there was much better protection

in the time of the E. I. Company; that there was no sufficient barrier against official pressure in the direction of lavish expenditure; that it was the faulty system of Administration that was at the root of the financial embarrassment, and that therefore fundamental changes should be made in that system, especially in the gradual substitution, on a large scale, of Native for European Agency, without which it would be vain to indulge in the hope that any permanent relief could be afforded to the Indian Treasury. I beg to put in a copy of this Memorial.

It would be noticed from the above that the Association had, eleven years ago, fully gone into the question of the large growth of Expenditure, reviewed all the causes which led to it, and suggested economies and reduction. Though the Finance Committee eventually recommended savings in expenditure amounting to a little over half-a-crore, and although a portion of that saving was effected at the time, the subsequent increase in expenditure has more than swallowed up the savings, and civil expenditure since has grown considerably along with the military. Therefore the condition of Indian Finance now is much worse than it was in 1886.

Coming now to the heads of Expenditure, I may remark as regards the public debt that the Rupee borrowings have increased eleven millions Rx., while the sterling debt has arisen from £69,271,088 in 1884-85, to £114,005,826 in 1894-95, or nearly 70 per cent. It should be borne in mind that every increase in sterling debt adds correspondingly to the annual interest charge. Sterling loans for public works of an unproductive character, such as Military Railways, are most objectionable. The Committee on the Home Charges has well put it (Parliamentary Return, July 13th, 1893) "That the greatest caution should be exercised in borrowing in England for Public Works in India, especially as long as the rate of exchange is so variable as practically to make of little value all calculations as to the charge for interest. The conclusion is supported by another important consideration. The political inexpediency of adding to the charges to be met from the revenues of India by payments made in this Country is very obvious; and in view of the feeling in India on this subject, no increase of such charges should, in our opinion, be increased unless it be practically unavoidable."

Army Charges.

It may be as well to examine the growth under the several principal heads up to 1893-94, as I have not before me the new volume of Finance and Revenue Accounts up to 1894-95, just issued. I am aware of the explanations given as to the increases. The Military Department must justify them. But having regard to the expression of opinion given by Sir H. Brackenbury, that expenditure exclusive of exchange has not much increased in India since 1885-86, I beg to submit the following table, which shows the average annual growth of the expenditure from 1886-87 to 1894-95 under the head of effective services in India and England, exclusive of exchange, compared with 1885-86.

	<i>In India.</i>	<i>In England.</i>
	Rx.	Rx.
1. Army and Garrison Staff	18,869	...
2. Administrative Staff	9,102	...
3. Regimental Pay, &c.... ..	784,320	347,158
4. Commissariat, &c.	1,268,592	120,630
5. Remount	22,908	3,013
6. Clothing, &c.	110,383	-71,585
7. Barracks	37,032	...
8 Administration of Martial Law	11,530	...
9. Medical	80,300	-7,202
10. Ordnance	62,892	38,693
11. Ecclesiastical	846	...
12. Education	3,883	...
13. Transport	15,972	-72,286
14. Miscellaneous	-2,582,956	3,780
15. Volunteer Corps	37,455	...
	-118,872	362,201

ARMY AND GARRISON STAFF.—Taken year by year since 1885—6 it has shown a steady increase.

REGIMENTAL PAY has risen from 6,841,956 Rx. to 7,877,608 in 1893—4. In England, too, the amount (exclusive of exchange) has gone up from 959,428 Rx. to 1,070,454 Rx.

COMMISSARIAT shows a fluctuation. In 1886—7, after the additional troops were provided, which led to the charges of 3,054,189 Rx. in India and 35,970 Rx. in England, there was a decline in India up to 1889—90, when the charges fell to 2,578,501 Rx. Since that year they were as under: 1890—1 Rx. 2,633,637; 1891—2 Rx. 3,307,657; 1892—3 Rx. 3,251,886; 1893—4 Rx. 2,959,904.

CLOTHING exhibited the same general tendency of regular increase from year to year. In 1886—7 the cost came to 69,546 Rx. in India, till in 1889—90 it rose to 119,992 Rx. In the following year it jumped to 168,113 Rx., till in 1892—3 it stood at 171,187 Rx., with a slight fall in 1893—4. *Per contra* there has been a diminution in England, while the decrease there in eight years, compared with 1885—6 is 71,525 Rx., the increase in India during the same period was 110,383 Rx. So that on the whole there was an increase.

ADMINISTRATION OF MARTIAL LAW shows a steady increase.

MEDICAL has risen from 6,075,040 Rx. in India to 6,805,990 in 1893—4, but has fluctuated in England from 216,390 Rx. to 331,470 Rx.

ORDNANCE exhibits a large growth both in India and England despite the fact that, according to Col. Wace, the factories for arms and ammunitions in Bombay and Bengal are turning out larger stores than before. It seems that the savings obtained in local manufactures are more than absorbed by additional cost for increased ordnance of all kinds.

MISCELLANEOUS SERVICES.—This is a most extraordinary charge, for the reason that the Annual Revenue and Finance Account give no particulars, while under all other heads particulars of small items of tens and hundreds are given. Here a lump sum is put down from year to year, averaging about half-a-million tens of Rupees. That such a large sum should be spent for which no detailed figures could be obtained is much to be regretted from the public point of view. Only particulars of sub-marine mining charges, which are very small, are given. For instance, in 1884—5, the gross charges amounted to 620,706 Rx., while the accounts for that year give sub-marine mining charges at 5,595 Rx., and the remainder, 615,113 Rx., are put down as "Miscellaneous Services."

VOLUNTEERS.—The charges under this head show a steady increase. They have risen from 84,642 Rx. to 177,446 Rx. As Indians are not accepted as volunteers, it appears that European volunteers are maintained mainly for the purpose of British supremacy. The charge, in great part, therefore, should be borne by the British Treasury.

MILITARY WORKS AND SPECIAL DEFENCES.—The point to be noted under these heads, apart from their doubtful utility, is this: that the cost of these works, which are supposed to last for more than a generation, is all charged to revenue. Thus the present generation of taxpayers bear the burden when both sound finance and equity demand that it should spread over at least twenty-five or thirty years. I agree with Sir H. Brackenbury in the observations made in reply to question (14,742) that India is the only country which has carried out such works without a loan, while every Continental Nation has got an extraordinary budget for Military Works, and at present even in England there are Bills before Parliament for borrowing money to carry such works.

It will be seen from all that has been said in the foregoing evidence that military expenditure is most burdensome. It was said (A. 5210) that "the army must be made an efficient weapon." But the efficient weapon may cost over much and far beyond the financial ability of those who provide the funds for it. The Simla Army Commission was more alive to the increased army charges from the taxpayers' point of view, when in its Report (see p. 11) it observed that there was some truth in the statement that hitherto "army reform in India has been dealt with on the principle that India was made for the army and not the army for India." There is no doubt that the effectiveness of the army for purposes of external defence depends greatly upon the friendly attitude of the masses of the people towards Government. Every measure, therefore, tending to conciliate the people, and to make them contented, may be regarded as expenditure tending to increase the efficiency of the army.

Lastly, I beg to submit the following table of the cost of a soldier per annum in the armies of the great powers of Europe and Japan, from which it will be noticed

that the cost of a British soldier in India, which is given at 891 Rs. (*vide* Parliamentary Return, January 14th, 1894) but which I think comes considerably over that figure, compares unfavourably with the cost of a soldier of the Continental armies:—

	Strength of Army.	Cost.	Cost per head in Rupees.
1. Austria	334,717	140,179,699 Florins	528
2. France	559,524	591,457,151 Francs	668
3. Germany	585,574	541,507,000 Marks	720
4. Russia	863,672	284,379,994 Roubles	800
5. Japan	98,961	24,116,811 Yens	648

NOTE.—The figures are taken from the Statesman's Year Book of Facts for 1897:—A Florin = 20d. A Franc = 9½d. A Mark = 11¾d. 6.40 Roubles = £1. A Yen = 3s. 4d. The pound sterling is taken at an equivalent of 16 Rs.

I may at this stage mention that on March 12th, 1894, my Association made another representation to the Government of India on the occasion of the imposition of the import duty on merchandise, in which was reviewed the entire growth of military and civil expenditure to 1893, as well as of exchange. It was shown that though exchange was a disturbing element in Indian finance it was not the principal one—the fountain sources of the embarrassment would be found in military expenditure in all its ramifications, as well as in the large growth of Civil salaries and establishments, Upper Burmah, and the unjust, because indiscriminate, compensation allowed to the Services; that the Association had uniformly raised its voice against the growing expenditure on all these accounts; that first the income tax was imposed, then the duty on salt was enhanced, and eventually the import duty was levied; that under the circumstances the Association begged leave to support its statement regarding the increases by means of a series of tables of official figures of the army charges, civil charges and sterling remittances, and to prove that exchange was not the sole nor the principal factor—a statement which the British Committee of the Congress afterwards amplified on the basis of those figures. Further, the Association observed that another cause which had contributed in no small measure to the embarrassment was the exchange compensation granted indiscriminately to the Services; that it was a matter of profound regret that while all other classes of the community were patiently resigning themselves to the currency legislation in spite of acutely suffering more or less from its evil consequences, the servants of Government should have been allowed in such a financial crisis this allowance; that it was purely an act of false generosity at the expense of the helpless taxpayers of the empire, and as such was misplaced and altogether uncalled for; that the allowance was made in the midst of the financial difficulties of the Government when it had no funds to provide for it save by means of extra taxation; that the plea of the Services that they had to pay a lesser number of sovereigns as remittance home, and that they were unable to make both ends meet for the support of their families, was not borne out, as the purchasing power of gold had increased and articles of domestic consumption and apparel were on the whole a great deal cheaper than they were ten years ago; that the Government had made no serious attempt at retrenchment and that the sterlings were allowed to grow; that if the reserve power of the country to bear taxation was discounted in times of profound peace it was to be feared the Government would find greater difficulty in meeting dire contingencies when they occur; that under the circumstances the necessity of continually husbanding their resources should be the first care of the Government, and next strict control over expenditure. I beg to put in this memorial.

The representation of our Association was slightly referred to by the Financial Member, as almost all representations, however cogent, emanating from representative bodies, including the Congress, are generally treated by the Government. In the present case, however, it is satisfactory to notice that an eminent authority like Sir A. Colvin, an ex-Finance Minister, in his contribution on "Indian State Expenditure," to the pages of the *Nineteenth Century*, previously alluded to, confirmed the facts of the

Association as amplified by the British Committee of the Congress. He observed that "it was difficult to differ with a great deal of what it has to say in the matter of expenditure." And the facts again were further confirmed last year by so independent a financial journal of the highest reputation as the *Economist* in its issue of 25th July, 1896, the substance of which I beg to state here. In support of its statement, the *Economist* gave the following table of net expenditure after meeting loss on exchange:—

NET EXPENDITURE after meeting Loss on EXCHANGE:—

	1894-95	1884-85	Increase or Decrease 1894-95
	Rx.	Rx.	Rx.
Services of debt (excluding that charged to railways and irrigation)	2,138,100	3,281,400	—1,143,300
Military services	20,654,800	16,107,400	+4,547,400
Collection of revenues	6,279,100	5,103,600	+1,175,500
Post office and telegraphs... ..	—	441,200	—441,200
Railways	2,348,500	1,051,800	+1,296,700
Irrigation	612,800	573,000	+39,800
Civil Departments	12,764,000	10,262,100	+2,501,900
Miscellaneous civil charges	3,686,500	3,247,400	+439,100
Famine relief and insurance	610,100	1,548,400	—938,300
Construction of railways (charged against revenue)	19,600	263,500	—243,900
Buildings and roads	3,664,700	3,473,200	+191,500
	52,778,200	45,353,000	+7,425,000

Commenting on the above figures, the *Economist* proceeded to remark as follows:— "The fact is, that nearly every branch of expenditure shows a more or less considerable expansion. Apart altogether from loss on exchange, the cost of the military services was fully Rx. 4,500,000 greater in 1894-95 than in 1884-85. Similarly, the Civil Services show an increase of nearly Rx. 3,000,000, and so on throughout the list. Now we have no intention of arguing that these additions to the expenditure have been either unreasonable or unnecessary. Everywhere the cost of government tends to increase, and it would have been wonderful indeed if India had proved an exception to the rule. That, in fact, was Lord George Hamilton's assertion: that apart from exchange, India is now being administered at a less cost than it was ten years ago, so surprising as to incite to investigation. Inquiry goes to show that it is contrary to the fact, and as it is of the utmost importance that on such a question Parliament should not be misled, an endeavour should be made during the approaching discussion of the Indian Budget to ascertain definitely how the matter stands. Lord George Hamilton should then be called upon either to prove or correct his statement." And after the Budget was discussed in the House of Commons, the *Economist* in its issue of August 15th, 1896, observed that "it is noteworthy," that Lord George Hamilton "studiously refrained from any attempt to justify the statement he made last year to the effect that during the ten years ending 1894-95, the administrative expenditure of the Indian Government, apart from loss of exchange, instead of increasing, had diminished."

Coming now to Railways it may be observed that their accounts are not only very complicated but reach colossal figures. I give below the combined results of State and Guaranteed Railways:

Railways.

Summary.	In 10 years.
(1) State Railways—	Rx.
Net receipts	69,209,897
„ charges	75,212,523
Loss	<u>6,002,626</u>

	Rx.
(2) Guaranteed Railways—	
Net receipts	34,201,231
,, charges	42,312,231
Loss	<u>8,111,000</u>
(3) Total loss in 10 years	14,113,626
(4) Average loss per annum	1,411,362
(5) The Subsidised State Railways incurred a net loss of 989,333 Rx. during the decade, or a loss of 98,933 per annum. But the loss is smaller by 82,833 Rx. than what it was in 1884-5. The above results, however, refer to the mere working of the railways. When all the financial factors, including interest on capital outlay, are taken into consideration, the results are different. To exhibit this take the actual financial results as stated in paragraph 19 (P. 22) of the Parliamentary Blue Book on "Administration Report on the Railways in India for 1895-96."	

	1894-1895.	Rx.
LOSSES—		
Guaranteed Railways		1,504,138
State Railways—		
Military, open		559,011
Do. unopen		88,853
Commercial, open... ..		114,716
Do. unopen		<u>251,678</u>
	Total losses	2,518,396
GAIN—		
State lines leased by Companies		—856,557
State lines worked by Companies... ..		<u>1,175,059</u>
Apparent net loss		2,199,894
Add other charges		<u>148,595</u>
	Total apparent charge	<u><u>2,348,489</u></u>

Deducting certain charges in connection with the East Indian, Eastern Bengal, and North Western Railways, "the charge to the State," continues the Report, "during 1894-5, in connection with the entire Indian railway system, will stand at about 190½ lakhs of Rupees." Further deducting 44 lakhs on account of sinking fund the amount is brought down to 134½ lakhs of Rupees. If interest on lines under construction were excluded, the charge for railways open to traffic would come to 145½ lakhs in 1894-5.

It is no doubt true that the charges on account of the Guaranteed Railways, in terms of their contract, are very heavy indeed, specially owing to exchange, as interest on their capital has to be paid on starting—also for surplus profits. It is observed in the report that the State has to continue to pay interest at the Guaranteed rates until the Contracts terminate, and it is consequently unable to attain any advantage from cheaper money and the improved credit of the country; that is to say, where the State could now raise money at a little over 2½ per cent. to pay off loans raised at higher rates of interest, it has to continue paying interest at a high average rate of about 4½ per cent. on the Capital raised by the Guaranteed Companies; and owing to the fall in exchange the sterling interest charges, if converted into Rupees at the average rate for 1894-5, gives a percentage of over 7½ on the total capital raised converted at the Contract rate of exchange. Had it been possible to remit at the Contract rate of exchange, the result to the State of the working of the Guaranteed Railways would have been a profit of Rupees 926,670 in the years 1894-5. instead of a charge of Rupees 15,041,380 as shown above. Thus, owing to the burdensome conditions of the contract with the Guaranteed Railways the State at present has to suffer until the period of their purchase or renewal on other terms arrives. Guaranteed lines besides, it must be observed that the State

lines leased to Companies, that is to say Imperial lines constructed with capital raised by or supplied to Companies under Contract with the Secretary of State, do not yet show any very encouraging results. Statement No. 2 of the Railway Administration Report already referred to, shows that the working for 1894-5 was a loss of 856,557 Rx. These Railways have a capital outlay of 34,603,797 Rx., on which, after paying interest charges, taking into consideration their net earnings, less their share, there was the loss of 856,557 Rx., as indicated above.

Again, according to Statement No. 3 of the same Report, the Commercial railways belonging to the State which were open for traffic or working lost in all 114,716 Rx. during 1894-5—their total capital being 62,019,586 Rx.

But it is the State Military Railways which show a very heavy loss. The North Western, with a capital outlay of Rx. 12,213,069, incurred a loss in 1894-5 of 559,011 Rx., while four unopened lines, with a capital of Rx. 2,568,508, lost 88,853 Rx. Thus there was a total loss of Rx. 647,864 on a capital outlay of Rx. 14,781,577. The enormous amount of the Capital sunk in these Military lines, and the loss they incur from year to year, need the closest attention of the Commission. In reality the Military expenditure should be increased by the annual loss entailed by these railways. They are of a most unproductive character, and must be condemned. The strategic utility even is openly doubted by even military experts, such as Colonel Hanna. In connection with these railways it may be pointed out here that in the capital outlay is included the sum of 436,900 Rx. for "Frontier Railway Reserve Material," besides a further item of 36,776 Rx. from "Peshawar Railway Reserve Material." The first would refer, I believe, to the railway material lying at the farther end of the Khojak pass for laying a line to Kandahar, about 100 miles, whenever the emergency arises. The material has been there since the conclusion of the second Afghan War; I leave it to the Commission to consider the inutility of such expenditure, involving a heavy annual charge for interest, not to say aught of the deterioration of such material.

Further, there is now in progress the new Bolan railway, called the Mushkof Bolan. The old line is abandoned, and a new alignment made for a certain distance. No doubt it is owing to heavy floods that the course has been changed. All the same, it means so much more capital, and also a little want of foresight in the first construction.

Lastly, there is a certain line under survey, namely, the Wezerabad Multan Railway.

It will be manifest from the above observations that after all the Indian Railways are not quite an unmixed blessing, as it is the work of the official optimists and their unofficial advocates or apologists to say. Far from in any way detracting from the boons conferred by Indian Railways, I may say without hesitation, that they have been vastly instrumental in developing the country, mostly to the benefit of the foreign capitalist. Still, from the financial and economic point of view, there are certain disadvantages to the people.

The financial losses are a burden on the taxpayers. The *real* burden of these losses from the very date of the construction of the railway in 1848 to date is colossal. In the Parliamentary return on E. I. Railway Committee Report, published on July 18th, 1884, there is given at pages 706-7, a table clearly showing the financial losses. The table was specially prepared at the India Office by order of the Secretary of State. Taking some of the figures of that table, and following them up by the table of the losses incurred as given in the Annual Administration of Railways for 1895-6, it would be found that the losses from 1848 to 1894 amount of Rx. 60,689,159, as under:—

				Rx.
(1)	Guaranteed Railways Interest Charges	1848-9 to 1867-8	...	17,643,438
	Do.	do.	1868-9 to 1879-80	15,352,779
	Do.	do.	1880-1 to 1894-5	7,287,903
				<hr/>
	Add Charges account Land and Supervision,	1858-9 to		40,284,120
	1894-5	...	...	3,860,954
				<hr/>
				44,145,074
				<hr/>
(2)	State Lines worked by the State from	1858-9 to 1894-5	...	20,812,919
				<hr/>

(3) State Lines leased to and worked by Companies (excluding E. I. Railway) from 1858-9 to 1894-5	6,416,864
Add Charges account Land, Subsidy, and Interest... ..	. 499,676
	<u>6,916,540</u>
Total of above three Railways	71,874,533
Add Miscellaneous Railway Expenditure	1,442,369
	<u>73,316,902</u>
Deduct Gain on E. I. Railway from 1858 to 1894	12,627,743
Total Loss to the State from 1848 to 1894	<u>60,689,159</u>

In other words, the revenues of India have suffered to that extent, and the railways have to make up that amount yet, not to say aught of the simple interest on such outlay would amount to Rx. 309,517,203.

As to the economic disadvantages which have resulted by the construction of railways, the most important is this: That almost all the capital being subscribed by English Capitalists, the entire profits are carried by them from the Indian revenues. About 5½ million Rx. were thus carried away in 1894-5. Had the Government itself constructed all railways by borrowed capital, the net profits, after paying interest to the Capitalists, would have remained in the country for its better prosperity. The economic fact of an alien rule always draining the resources of the subject country was entirely lost sight of.

At Page 184, Chapter XII. of the Railway Administration Report, is given a table of persons employed on railways. It is as follows:—

	No.
1. Europeans	4,692
2. East Indians	6,698
3. Natives	270,647

Now, according to the Parliamentary Return of salaries, dated May 17th, 1892, there were in all 2,448 Europeans earning salaries of 1,000 Rupees and upwards per annum. The total salaries came to 806,284 Rx. There were, however, only 895 Natives who earned salaries of 1,000 Rs. and upwards, and the total of these salaries amounted to Rx. 136,735. The salaries earned by Europeans in the employ of Railway Companies is another drain from the country.

Irrigation.

It is satisfactory to notice that on the whole, during the last ten years, the major irrigation works, which are constructed from general revenues for productive purposes, are somewhat paying. There was an account on the wrong side up to 1888-89, but since that year there has been a fair amount to the credit of the net receipts. For the year 1894-5 the net receipts, after deducting interest on capital, amounted to 152,852 Rx. The minor works, which are still a net charge on the revenues, show an increase of 91,967 Rx., on an average per annum compared with 1884-85. In that year the net charge was 610,173 Rx., but during the decade it averaged 702,140 Rx. At the end of the year 1894-5 (according to the statement of Mr. A. Becher, Officiating Accountant General, P. W. Department, published in the Gazette of India on October 17th, 1896) there were forty-six projects classed as major works, and seventy-six as minor. The capital outlay at the end of that year was:—

	Rx.
Major Works	31,731,986
Minor Works	4,849,733
Or a Grand Total of	<u>Rx. 36,581,719</u>

There was a net profit, after paying interest on capital, on major works of 99,744 Rx. The percentage of net revenue of the year on the capital on major works was 4.08 per cent., and on minor works of 5.65 per cent.

It seems, however, that all irrigation works are not paying. Like the railways, many have incurred losses up to 1894-5. Taking them by provinces, the broad results are as follows, after taking into account interest on capital outlay.

				Rx.
				Gain (plus) or Loss (minus)
Bengal	...	...	... minus	4,935,789
N. W. P. and Oude	...	...	... plus	1,366,411
Punjab	...	...	... plus	2,558,605
Madras	..	..	... plus	5,326,564
Bombay	...	...	... minus	430,343

As far as Bombay is concerned it may be stated that Sind made a net profit of 267,410 Rx., but all the works in Gujrat and Deccan showed loss amounting to 697,753 Rx.

After the evidence adduced before the Commission in respect of certain canals in the parts which had to be taken over from insolvent companies, at prices which can only be considered most improvident and uncommercial, it would be idle to refer to such class of works which have cost the taxpayers millions without any satisfactory return whatever. But I may be permitted to observe that in the present deteriorated condition of Indian agriculture, when there is not enough food grain produced to fully suffice for the entire population per annum, it is of greater importance to construct irrigation works than more railways. It should be remembered that even protective railways against famine, however largely constructed, would give no help to the people in famine stricken districts, whenever a serious famine of the intensity now prevailing may occur, if there be not adequate surplus of grain to carry from one province to another. What is more essential is to stimulate the food supply. Irrigation, therefore, is of infinitely greater importance than railways. In some parts, undoubtedly, the big irrigation works have done mischief to the fertility of the soil and the health of the population. It is, however, not large costly works which cannot pay even the interest on the borrowed capital from which they are constructed that are wanted. My proposal is to dot those parts of the country which generally suffer from insufficient rain or drought with numerous wells, which may cost from 50 Rupees to 500 or even 1000 Rs. at the utmost.

Madras boasts of many such wells built anterior to the advent of British rule. If irrigation by wells and other equally cheap modes were put into practice, it would entirely change the surface of the soil in a few years and at a considerably less cost.

Coming now to what are called Civil Departments, I may just summarise the growth of the charges under the various heads during the decade, compared with 1884-5.

Civil Departments.

					Increase. Rx.
(1)	General Administration	...	..	..	152,001
(2)	Law Courts	...	...	..	190,178
(3)	Jails	...	...	...	48,868
(4)	Police	..	...	...	817,353
(5)	Marine	..	...	..	116,913
(6)	Educational	...	..	...	120,779
(7)	Ecclesiastical	...	..	...	640
(8)	Medical	..	...	...	85,498
(9)	Political	...	...	..	25,513
(10)	Scientific, etc.	...	...	..	22,018
	Total	...	..	...	<u>1,579,761</u>

In reference to all these charges justification has been given, but as a non-official I have no means to judge of the necessity or otherwise of the increases in the several departments. It may be that they were needed for greater efficiency. At the same time there are some matters on which criticism may be ventured. General administration is divided under two heads—that in India and in England. The Indian charge has increased by 63,711 Rx. per annum, and the English by 20,218 Rx. In the former there is a very large growth under the sub-head "Secretariat"; almost all the provinces as well as the Government of India increased their charges. As a result, the cost, which was 338,031 Rx. in 1886-7 rose to 394,912 Rx. in 1893-4. As to Secretariat charges, I have to refer the Commission to the minute of Sir C. Aitchison about the increase in the Financial Department. (See Appendix 2, Volume II., page 35.)

The tour charges of the Viceroy need to be greatly curtailed. They work besides to the disadvantage of the taxpayer by residence for eight months at Simla. What was once a retreat for two or three months during the hottest part of the year is now virtually the seat of the Government for the major portion of the year. All India, European and native, has condemned what is called the Simla exodus. All the heads of the departments under the Government follow suit, and thus a most mischievous practice has grown up of staying on the hills. Since writing this evidence I find in the Bombay papers and others that there is now an agitation against the Simla exodus—that the Viceroy and the Government should go there. Even at the present moment this exodus is criticized severely, especially while famine is raging in important parts of India. Sometimes important legislation of a far-reaching character, needing the presence of non-official members, is required. But owing to the Government residing there they are not summoned. A most glaring instance of this was found when the Currency Amended Act was passed on June 26th, 1893. No non-official member save Sir John Mackay, who was favourable to the Amending Act, was present. The non-official native members had no opportunity to explain their views. This is a great political evil.

*Law and
Justice.*

Under Law and Justice all the sub-heads show a great increase. High Courts, &c., show an increase from Rx. 314,423 in 1886-7, to Rx. 347,195 in 1893-4. Law officers' establishments have risen from 64,419 to 96,045 Rx.; Civil and Sessions Courts, from 69,355 to 68,199; Criminal Courts from 901,645 to 1,004,886. This branch of the Administration could be more economically and efficiently managed were native agency still more extensively employed in substitution of Europeans. Great complaints are made as to the efficiency of the police, and the reason is that the higher appointments are almost all reserved for Europeans. Therefore, there is little prospect for police subordinates; and the best class of men are unwilling to enlist in the force. With proper arrangements, native officers of police should be obtainable, bearing the same high character for ability and integrity as the class which furnishes the subordinate judges. If almost all the district judges, civil and criminal, were trained native lawyers, a great saving could be effected, while judicial administration could be greatly improved. The Public Service Commission has borne ample testimony to the good work done by native judiciary. In this connection I may observe that there is now a consensus of opinion, not only among Indians, but among English lawyers of reputation and authority who served in India, that the administration of criminal justice, which is at present not very satisfactory, would be improved by separating judicial from executive and magisterial functions. In Bombay the Honourable Mr. P. M. Mehta, a trained barrister of twenty-nine years' standing, and most fully conversant with criminal justice, more than once brought his scheme of reform to the notice of the Legislative Council, but to no purpose. The scheme is not at all costly, though the question of heavy cost is brought forward as an excuse. I can produce extracts from the proceedings of the Bombay Legislative Council to show what Mr. Mehta's scheme is.

Extract from the speech of the Honourable Mr. Phirozshah M. Mehta, LL.D., at the Bombay Legislative Council, held on 27th July, 1893 (vide Proceedings of the Council of the Governor of Bombay for making Laws and Regulations, Vol. XXXI.) :—
“The total cost of criminal Courts is Rs. 12,66,000. Out of this amount Rs. 10,19,662 are brought from land revenue head, being half portion of the salaries of assistant judges, mamlatdars, &c. What I venture to suggest is that instead of employing assistant collectors and mamlatdars to do criminal work, that that work might be transferred to a body to whom such work would be congenial and harmonious—I mean the subordinate judges. I contend that it is discordant work so far as revenue officers are concerned. If the work were entrusted to a body to whom it would be more appropriate, namely, the trained subordinate judges, there would be a considerable saving effected in the Budget in the cost of revenue and criminal work. This would hardly be the time to go into all the details of the account, but I would illustrate my remarks by taking one district, viz., Poona. There are eight talookas in Poona, to look after which there are three assistant collectors, three first grade, and one assistant collector with no magisterial powers. Their salaries are Rs. 900, Rs. 700, and Rs. 400 respectively. Then there are nine mamlatdars having first-class powers on Rs. 200 each, total Rs. 800; and five with second-class powers on salaries between Rs. 200 and Rs. 150, total Rs. 850. The total of all three mamlatdars is Rs. 1,650 per month. I have some personal working of these courts. On the whole, the assistant collectors and mamlatdars certainly do not devote anything like even two full hours per day to

criminal work ; they are not able to do it. If all this criminal work intermittently done by these men was made over to subordinate judges, who are trained officers and competent to deal with it, the cost of criminal work would be reduced in this way. I would abolish one of the three assistant collectors, *i.e.*, Rs. 700, and cut down the mamlatdars by half, *i.e.* Rs. 825, total, Rs. 1,525. Against this I would suggest the employment of three more subordinate judges for the district on Rs. 300 a month each, *viz.*, Rs. 900. This would give a monthly saving of Rs. 625, or Rs. 7,500 a year. This would not only secure economy, but increased efficiency, for the work would be done by better trained judicial officers. There would also be another advantage. We know at present that assistant collectors have to call the accused and witnesses in cases on their files to follow them to their camps over long distances. This is a very great hardship. . . . Then again the evils of associating criminal and revenue work would be mitigated."

There were also certain economies proposed by the Finance Committee with regard to certain appointments in the High Court of Bombay. For instance, the placing of the Clerk to the Insolvents' Court on a fixed salary instead of on fees, which now come on an average to Rs. 3,000 a month—very nearly the pay of a High Court Judge. The post can easily be filled by a competent native on Rs. 400 to 500. But here, for ordinary routine work, the incumbent is still permitted to draw fees equivalent to the pay of a judge who does hard brain work.

As to Educational Charges, all that I can say in this place is that the expenditure is very illiberal. There is a loud cry all over the Empire that the Government spends very little on the education of the masses, a very large proportion of whom are illiterate. The total expenditure on this head in 1884-5 was Rx. 1,035,496, including local cesses. During the succeeding ten years it was on an average Rx. 1,156,275. The increase was Rx. 120,779.

The late Sir Alexander Grant, Director of Public Instruction in Bombay, observed that if the Government gave only 2 per cent. of its gross revenue per annum for purposes of education, it would achieve a great progress in matters of education. As a matter of fact, it spends only 1 per cent., and that for all kinds of education, while a very large portion of the population is ignorant of the very alphabet. Millions are thrown away on bootless frontier expeditions and fireworks, for which monies are always forthcoming, but not for the education of the masses. Great Britain spends eight millions sterling per year on thirty-six millions of the population. But for the 220 millions of British India the Indian Government spends very little indeed. Every rupee spent on education will eventually serve to drive ignorance and superstition from the country, and bring the masses into closer attachment with British rule. In short, the more India is educated, the greater the strength and security of the British Indian Empire. I beg to point out that the Indian Government now derives a revenue from the drink traffic of over 5½ million Rx. from the masses. It comes to 4 annas per head of the population, roundly speaking, while it spends only a little less than an anna on education.

MISCELLANEOUS CIVIL CHARGES also show a great growth under their several sub-heads, as follows, compared with 1884-5 :—

	Increase.
	Rx.
Territorial and political pensions	113,197
Furlough allowances... ..	41,047
Superannuation and pensions	716,120
Stationery and printing	18,271

SUPERANNUATIONS AND PENSIONS.—This, too, is a growing charge. The pensions in India increased 15,465 Rx. on an average of the ten years, over the figures of 1884-5. In England they increased Rx. 251,708 exclusive of exchange, which increased by Rx. 454,605. The total net charges increased 716,120 Rx. The fact again demonstrates the costly character of the foreign agency, and the heavy drain of the country's wealth, every way disadvantageous to India, from the moral and material point of view.

FAMINE RELIEF AND INSURANCE.—As far as Protective Railway Expenditure goes, there has been on an average Rx. 558,849 less incurred per year than was the case in 1884-5, when Rx. 946,457 was expended. On Protective Irrigation, too, 169,010 Rx.

Famine Relief and Insurance.

have been annually less expended. A prolonged and unpleasant controversy has raged round this grant, and the Indian public, despite all official explanations, have maintained that the fund has been tampered with in spite of solemn assurance. But apart from the controversy it is a fact that for three consecutive years, owing to increased military activity in Upper Burmah and elsewhere, the amount expended was very low.

						Rx.
1886-7	...	...	...	...	...	309,020
1887-8	...	...	...	...	...	91,408
1888-9	...	...	...	...	...	78,336

In 1889-90 and 1890-1 600,000 Rx. were expended. In 1891-2 the sum applied was 1,268,319 Rx. In the following two years it was 1,116,103 and 1,117,801 respectively; while in 1894-5 it was again reduced to 610,235. I do not agree with the contention put forward on behalf of the Government that it is only when a surplus is available that the grant could be given. For, as a matter of fact, there have been grants when there were deficits also. In 1884-5 there was a deficit of 386,446, yet the grant was maintained in the accounts at 1,548,357. In 1892-3 there was a deficit of 832,412, and yet there was a grant of 1,116,103. In 1893-4 there was a deficit of 1,546,998, and yet 117,801 Rx. were made available. These stern facts entirely disprove the plea put forth that the grant could only be made when there is a surplus. The Indian public has never understood it in that sense. The sense in which it has been understood is this: That it was to form an ordinary item of expenditure, for which a tax was specially provided. Even supposing, for argument's sake, that the undertaking was inaccurate (which I deny), sound finance alone demands that this item should be considered as an ordinary recurring expenditure; at any rate, till such time that the necessity for it exists. There can be a surplus only in the true sense of the term when all normal expenditure is provided for in the Budget. The partial suspension of the Famine Fund in the past cannot, therefore, be excused. Far better to declare at once that the grant will be available whenever it suits the Government rather than apologise for its partial suspension in the absurd way that it has been done in the past. Lastly, it is impossible to understand on what principle are Indian Midland and Bengal Nagpur Railways considered to be protective railways, that the interest due on their capital should be paid out of the Famine Fund. Both are commercial railways, and it is surprising that the interest charge should not be carried to the railways proper constructed out of borrowed capital.

*Exchange
Compensation
Allowance.*

There was absolutely no reason for the Indian Government to impose on the one hand a further burden on the taxpayers, and on the other simultaneously give more to those who are already in the enjoyment of very liberal salaries—salaries which have no parallel in any part of the civilised world. That there was no legal obligation to allow this compensation has been fully admitted by the Government of India, and specially at the expense of the taxpayers, as if they did not suffer also from the burden of exchange, as if they did not contribute to help the State to cover the loss arising from it. But objectionable as it is there is no validity even in the reason assigned, namely, that civil and military officers have felt it a great hardship to remit monies home for maintenance and education of their families in England. In the first place the Government is not bound to take this plea into consideration. The patent economic fact of the increased purchasing power of gold seems to have been totally ignored. If the officers have less sovereigns to remit for the equivalent in rupees, their families are able to buy more of all domestic goods. It will be seen from the table in the Presidency Association's memorial of 16th March, 1894, put in by me, that the prices of almost all articles of domestic consumption and wearing apparel have greatly fallen since 1884. And my inquiry since my arrival in London would seem to inform one that house rent even in so dear a place as London has fallen. In the teeth of these facts, it was a gross act of injustice to the Indian taxpayer to impose fresh burdens on him for the sake of the Services. Nothing has created greater dissatisfaction than this measure—so arbitrary, and worthy only of Oriental despotism, regardless of the poverty-stricken condition of the people, rather than that of a just Government as the Government of India purports to be. But for this there would have been no necessity to re-impose the import duty on merchandise, and the sooner this financial injustice is removed the better.

CONCLUDING OBSERVATIONS ON THE GROWTH OF
EXPENDITURE.

From the foregoing examination of the progress of expenditure it will be evident to the Commission :—

1. That the financial embarrassments which prevailed during the decade owe their origin principally to the enormous growth of Military Expenditure, which has led to the imposition of additional taxation which now amounts, including the customs duties on cotton goods, to nearly 6 crores.

2. That the growth in Civil Expenditure is also very considerable. But so far as this is concerned there is not much cause of complaint save in one respect, namely, that the costly foreign agency absorbs a large portion of the revenue which could be considerably saved if there was more extensive employment of Indians in the higher grades of the Administration. It may be observed that adequate Civil Expenditure of a productive character is much to be desired. I mean such as gives the taxpayer a fair *quid pro quo*, such as education for the masses, more efficient administration of justice, greater village and town sanitation, and all other works of public utility which contribute to the expansion of provincial resources and prosperity of the people.

3. That the burden of exchange might have been easily borne, without resort to fresh and enhanced taxation, had the Military Expenditure been on the basis of 1884-5.

4. That a similar growth, if allowed to go unchecked in future, is liable to plunge the Government into fresh embarrassments, leading to further taxation, which is neither desirable in the interests of good and stable government nor in the interests of the people, among whom there prevails sullen discontent, inasmuch as their capacity to bear further burdens has been greatly crippled. The Secretary of State writes imperative despatches for strict economy, for exercising utmost care in public expenditure, for the dangers of increasing the burdens of taxation has to be borne in mind. (*Vide* Despatch, April 12th, 1888, Vol. II., Appendix, page 141; Despatch of November 3rd, 1892, Vol. II, Appendix, page 154).

These warnings seem to fall on deaf ears, and Secretaries of State do not enforce what they enjoin, and the despatches only remain pious intentions. At any rate, the Commission must have noticed how, in spite of them, expenditure has grown apace. Since 1892 taxation to the extent of 3 crores has been added, while the military activity beyond the frontiers was even greater in consequence of the acquisition of Gilgit, which ultimately led to the occupation of Chitral at a cost of 1½ crore, and with a permanent annual charge of about 25 lakhs! The Secretary of State himself is a silent or originating party to this kind of expenditure. So that it may truly be observed that the despatches are practically of no effect, and that both the Secretary of State and the Government of India must be held equally responsible for that expenditure.

It is a well-known fact that India has no true surplus to speak of. It lives, at the best, from hand to mouth, and is oftener than not in a condition of embarrassment, from which it relieves itself only by windfalls or borrowing, or by enhanced taxation, which every time that it is imposed diminishes the capacity of the taxpayer whose income does not exceed Rs. 27 per annum.

From 1849-50 to 1894-5 there has been a net deficit of 37.62 million Rx. In other words, during the forty-six years Indian finances have exhibited an annual deficit of 800,000 Rx. on an average. The most essential fact seems to have been invariably lost sight of, that India is made a poor country by the "bleeding" it has been subjected to, and can therefore have but a poor revenue. That a system of administration, however well meaning, which takes no cognizance of this essential fact, but goes on adopting a Western system of Government, a system of an alien government in which the people have no voice, and which besides is known to be costly, must in the long run end in financial disaster, however long it may be coming in. I go further and say it is a system unnatural and foredoomed to failure. Under the circumstances Indians cannot but view with the gravest apprehension any further increase of expenditure.

The practical suggestions I have to make are these :—

1. That the Military Expenditure must be materially reduced; and
2. The costly foreign agency must be gradually replaced by an economical Native Agency, and a fair share of the expenditure must be borne by the United Kingdom for interests common to both countries. I need not

go into the great moral and material drain of this alien agency, which the country has been witnessing for years past. Mr. Naoroji has exhaustively demonstrated it to the Commission, and I have nothing new to add.

3.—*Apportionment of Charge.*

III.—APPORTIONMENT.

After the mass of evidence recorded by the Commission on the subject of the Apportionment of charges between England and India, there remains very little to be said.

First, as to what are called Home Charges, namely, those which were inquired into by the India Office departmental Committee, all high authorities such as Lords Northbrook, Ripon, Cromer, and Lansdowne have expressed their opinion that the apportionment cannot be merely on the basis of an arithmetical calculation; but that having regard to the capacity of India, and the fact of its being almost voiceless in the matter, the apportionment should be on the grounds of justice and equity, for which India has clamoured for years, but hitherto in vain.

Second. That in reference to all charges which are incurred for the common interests both of England and India, it is just and expedient that England should bear at least half of those paid for the European Agency; military and civil, employed in England and India.

Third. That all charges incurred from the time of the Second Afghanistan War on the north-west frontier of India should be equally divided. Though my Association and the Congress are of the opinion that all these frontier wars and expeditions were unjustifiable and a needless waste of expenditure, for all practical purposes a compromise in this matter may be agreed to by an equal division of the expenses hitherto incurred. As to Upper Burmah the entire cost of the military expedition and the subsequent cost of administration should be wholly refunded by England to India, and the province separated from India, and made into a Crown Colony as was suggested by the Congress. The occupation was made out at the suggestion of English merchants in Rangoon and Mandalay. Indians never demanded the annexation, and it is unfair to India that for the promotion of the interests of English capitalists and extension of the British Empire any charges be paid out of the revenues of India.

Fourth. The charges for the occupation of Aden and its subsequent administration should be fairly divided between England and India and between all the British Colonies in the East. And as to the Embassy at Teheran, the charges should be wholly borne by England, as no Indian interests are concerned.

Fifth. That India should not be called upon to pay any charges ordinary or extraordinary whatever in reference to all service which India may be called upon to render to England, unless India was directly interested, and that in such case the charges should be also equally borne by India and England.

Sixth. That Indian affairs must be kept within the natural boundaries of India, and she should not be dragged into matters outside those boundaries, and made to pay their cost.

Seventh. That if India is to be treated as partner, which she is not in any sense at present, she should share all the benefits accruing from that partnership.

Lastly, I would suggest that some suitable Indian representatives should be appointed to seats in the India Council. It will be remembered that in the original scheme for the India Council, Mr. Disraeli had proposed that seats should be preserved for members elected by a special Indian constituency. India has vastly progressed since that scheme was suggested, and it is high time some steps were taken in the matter. I think in the various elected members of the Provincial and Imperial Legislative Councils will be found ready made such a constituency. It could elect from its own body such members as would, in its opinion, be best qualified to sit on the India Council, and represent all Indian matters, especially financial, from the Indian point of view.

BUDGET ESTIMATES COMPARED WITH REVISED
ACCOUNTS IN TENS OF RUPEES.

REVENUE.

Year.	Budget.	Revised.	Revised +, or — with Budget.	Accounts.	Accounts +or—with Revised.	Accounts +or—with Budget.	Remarks.
1885-86	72,090,040	73,598,100	+ 1,508,060	74,464,197	+ 866,097	+2,374,157	
1886-87	75,798,700	76,071,700	+ 273,000	77,337,134	+ 1,265,434	+1,538,434	
1887-88	77,460,200	77,926,600	+ 466,400	78,759,744	+ 833,144	+1,299,744	
1888-89	80,010,500	81,585,500	+ 1,575,000	81,696,678	+ 111,178	+1,686,178	
1889-90	82,935,300	84,636,300	+ 1,701,000	85,085,203	+ 448,903	+2,149,903	
1890-91	84,932,100	85,313,500	+ 381,400	85,741,649	+ 428,149	+ 809,549	
1891-92	86,025,300	88,585,900	+ 2,566,000	89,143,283	+ 557,383	+3,117,983	
1892-93	88,367,900	90,021,200	+ 1,653,300	90,172,433	+ 151,238	+1,804,538	
1893-94	90,005,700	90,429,500	+ 423,800	90,565,214	+ 135,714	+ 559,514	
1894-95	92,024,900	92,154,100	+ 129,200	95,187,429	+ 3,033,329	+3,162,529	

BUDGET ESTIMATES COMPARED WITH REVISED
ACCOUNTS IN TENS OF RUPEES.

EXPENDITURE.

Year.	Budget.	Revised.	Revised +, or — with Budget.	Accounts.	Accounts +or—with Revised.	Accounts +or—with Budget.	Remarks.
1885-86	71,582,300	76,488,900	+ 4,906,600	77,265,923	+ 777,023		
1886-87	75,616,500	76,071,200	+ 454,700	77,158,707	+ 1,087,507		
1887-88	77,443,500	80,943,300	+ 3,499,800	80,788,576	— 154,724		
1888-89	80,708,500	81,787,200	+ 1,078,700	81,659,660	— 127,540		
1889-90	82,829,000	82,826,600	— 3,000	82,473,170	— 353,430		
1890-91	84,661,700	82,526,400	— 2,135,300	82,053,478	— 472,922		
1891-92	85,909,700	88,665,900	+ 2,756,200	88,675,748	+ 9,848		
1892-93	88,221,300	91,103,100	+ 2,881,800	91,005,850	— 97,250		
1893-94	91,600,800	92,222,300	+ 621,500	92,112,212	— 110,088		
1894-95	92,326,800	94,163,600	+ 1,836,800	94,494,319	+ 330,719		

3.—EVIDENCE-IN-CHIEF OF PROFESSOR GOPAL KRISHNA GOKHALE.

APRIL 12th and 13th, 1897.

Qualifications.

I AM Honorary Secretary of the Deccan Sabha, an Association established in Poona for promoting under British rule the political interests of the Indian people. For seven years I was Honorary Secretary of the Poona Sarvajanic Sabha—another political Association in Poona of a similar character—and Honorary Editor of its Quarterly Journal, a magazine dealing principally with questions of Indian Finance and Indian Administration. I am, besides, a member of the Council of the Bombay Presidency Association, on whose behalf my friend, Mr. Wacha, has given evidence before this Commission. For four years I was one of the Secretaries of the Bombay Provincial Conference. I was also a Secretary of the Eleventh Indian National Congress that met in Poona in 1895. I was for four years one of the Editors of the *Sudharak*, or Reformer, an Anglo-Marathi weekly of Poona. Lastly, I belong to a body of men in Poona who have pledged twenty years of their life to the work of education, and am Professor of History and Political Economy in Fergusson College.

Division of Evidence.

In accordance with the plan adopted by the Commission, I will divide my evidence into three portions—the Machinery of Control, the Progress of Expenditure, and the Apportionment of Charges between England and India.

Importance of the Question of Machinery.
(General Remarks)

MACHINERY OF CONTROL.

The question of the machinery of Constitutional Control is, in my opinion, a question of the highest importance. I may state, at the outset, that the position of India, so far as the administration and management of her expenditure is concerned, is somewhat exceptional. In the United Kingdom and the Colonies, public expenditure is administered under the control of the taxpayers, and therefore presumably solely in the interests of the taxpayers. In India, however, other interests are often deemed to be quite of equal importance, and sometimes indeed they are allowed to take precedence of the interests of the Indian people. Thus we have, first of all, the standing claims of the interests of British Supremacy, entailing a vast amount of expenditure, the benefit of which goes to others than the taxpayers of the country. The large European Army maintained on a war footing in time of peace, the practical monopoly of nearly all the higher offices in the Civil Services by Europeans, and the entire monopoly of such offices in the Native Army, illustrate what I mean. I do not deny that this supremacy in itself has been a great advantage to India, but what I mean is that the price exacted for this advantage is beyond all proportion too high. We next have the interests of the extension of British dominion in the East. Large sums have been from time to time spent in the past for this purpose out of the Indian Exchequer—in many instances in spite of the protests of the Indian Government—and if things

continue as at present, this misapplication of India's money is not likely to stop. All expenditure incurred in connection with the Afghan and Burmese wars, the extension of the Northern and North-Western Frontiers and the utilisation of Indian troops for Imperial purposes, is expenditure of this description. Then there are the interests of the European Civil and Military Services in India. The extravagant privileges conceded to Staff Corps officers in 1866 have, it is now admitted on all hands, imposed, and improperly imposed, a heavy charge on the Indian revenues. The re-organisation of the Public Works Department in 1885 may be cited as another illustration. The Finance Committee of 1886, appointed by Lord Dufferin's Government, consisting of men like Sir Charles Elliot, late Lieutenant-Governor of Bengal, Mr. Justice Cunningham, Sir W. W. Hunter, Mr. (now Sir James) Westland, Mr. Justice Ranade, and others, thus expressed themselves on this subject :—"The re-organisation of the (Public Works) Department was undertaken in consequence of an agitation on the part of European Civil Engineers employed in it, which was conducted in a manner likely, in our opinion, to have a bad effect on discipline, and therefore deserving of the disapproval of Government. It seems to us to have violated the orders of Government on the subject of combinations by its servants. Such an agitation would not have been permitted in any other Department, and should not again be allowed. The object of the re-organisation was to improve the position of the officers of the Department generally, and in particular to remove the block of promotion, which had arisen from the excessive number of recruits obtained from Cooper's Hill College in the earlier years of that Institution. During the continuance of the discussion, which we have summarised, great attention was given to the grievances of the officers of the Department, but a careful consideration of the whole subject leads us to doubt whether the measures sanctioned were altogether suitable either in kind or in respect of the classes to which they were applied. They mostly consisted of increments of pay to the Executives of the third and fourth grades, and to the Assistant Engineers of the first and second grades—none of which classes of officers were at the time, so far as we understand the case, in particular need of special assistance, and of the grant of greatly improved pensions to all officers of both classes; and they were made perpetual in their application." The concession made in 1890, to uncovenanted Civil Servants whose pensions were fixed in rupees, that these pensions should be converted into sterling, at the rate of 1s. 9d. to the rupee, and the grant of Exchange Compensation Allowance to all non-domiciled European and Eurasian Employés of Government indiscriminately, are more recent instances. I will return to all these cases later on. Lastly, the interests of British Commerce and of British commercial and moneyed classes often prevail over the interests of the Indian taxpayers. I might have mentioned the abolition of Import Duties during the administration of Lord Lytton and Lord Ripon, as also the Tariff Legislation of last year, as instances. But they do not come under expenditure, and may therefore, possibly, be regarded as irrelevant. But the wasteful nature of many Railway Contracts; the extraordinary help given to the Orissa Company, the Madras Irrigation Company, and such other bodies of English investors; the vigour with which the construction of railways is being pushed on, programme following programme almost in breathless succession, in spite of the protest of the Finance Minister that the finances of the country now needed a respite in that direction; the conquest and annexation of Burmah, practically at the bidding of a powerful English trading Company—these are instances which are not open to the same objection. The frequent subordination of the interests of the Indian taxpayers to these other interests, makes it all the more imperative that the machinery of constitutional control should provide adequate safeguards for a just and economical administration of the Indian expenditure, and yet, I fear, nowhere are the safeguards more illusory than in our case.

The spending authorities in the matter of Indian expenditure are :—the Local Governments, the Government of India, and the Secretary of State in Council (to which we must also add the Secretary of State in the Secret Department). The controlling authorities at present are :—the Government of India controlling the Provincial Governments, the Secretary of State in Council controlling the Government of India (the Council sometimes tries to control the Secretary of State, but it is now much more dependent on him than it was once), and Parliament in theory controlling all. Now in the first place, all this is purely official control, unless indeed, by a stretch of words, we regard the theoretical control of Parliament as to some extent popular. Real popular control, in the sense of control by taxpayer, is,

The Machinery as it exists at present.

practically speaking, entirely absent from the whole system. There are, no doubt, the Local and Supreme Legislative Councils in India. But so long as the Budgets are offered for criticism only and have not got to be passed, and so long as the members are not allowed to move any resolution in connection with them, they cannot be called controlling bodies in any proper sense of the expression. Secondly, I venture to think, that even this official control, such as we have it, is, except in the case of Provincial Governments, of very little value from the taxpayer's point of view. The Local Governments are, indeed, controlled and more than controlled officially, are in fact crippled. But as regards the Government of India and the Secretary of State in Council, where they are in agreement, their powers of incurring increased expenditure are almost unlimited; and unfortunately they are generally found to be in accord in matters in which the Indian taxpayer feels a direct interest, their differences being usually about matters for which he cares little or nothing. Lastly, Section 55 of the Government of India Act of 1858 is supposed to give protection to Indian revenues against their application to extra-Indian purposes. But it is now well known how that Section has failed to attain its object in practice.

*Its real Nature
and Results.*

The results of this state of things have been very unfortunate. Under the East India Company, our revenues were certainly much better protected. The Company's Government was, so to speak, a strong buffer between Indian interests and Imperial interests, and as Sir Charles Trevelyan has observed, it was often able to offer a successful resistance to the demands of the Queen's Government. The inquiry which Parliament used to make into Indian affairs every twenty years in those days, and the spirit of jealous wakefulness which it used to manifest on those and other occasions, were a further protection to Indian interests. With the establishment of the direct administration of the Crown, all this was gone, and the administration of the Indian Revenues is now practically entrusted to a Cabinet Minister, assisted by a Council of his own nomination—a Minister who brings no special knowledge or experience of Indian affairs to the discharge of his duties, who, as a member of the Imperial Executive, naturally has an eye to Imperial politics rather than to Indian interests, and who is peculiarly liable to be swayed by the varying currents of English public opinion and other English influences. All financial power in regard to expenditure—executive, directive, and controlling—is centred in his hands, and with all this vast concentrated power, he has really no responsibility, except to the Cabinet of which he is a member, and of whose support he is always assured, and to Parliament, where he has a safe majority behind him in virtue of his position as a Cabinet Minister. The position virtually amounts to this, that it is the administration of the finances of one country by the Executive Government of another, under no sense of responsibility to those whose finances are so administered. And for years past we have been treated as a vassal dependency, bound to render services to the suzerain power, and to place our resources, whenever required, at its disposal. As a result millions upon millions have been spent on objects which have not advanced the welfare of the Indian people so much as by an inch—even the empty sense of glory, which is a kind of barren compensation to self-governing nations for such large expenditure of money, is not available to us as a consolation. And not only have these vast sums been thrown away in the past—thrown away, of course, from the Indian taxpayer's point of view—but as a direct result of that expenditure the country is now pledged to indefinite and possibly vaster liabilities in the future. And all this has gone on while the expenditure on objects which alone can secure the true welfare and prosperity of the people has been woefully neglected. The principal defects in the existing arrangements, to which, in my humble opinion, these deplorable results are to be traced, are two:—(1) Autocratic financial power practically concentrated in the hands of a member of the Imperial executive without adequate securities for its due exercise; and (2) the absence of effective protection to India against financial injustice at the hands of the Imperial Government, there being no impartial tribunal left to appeal to for redress of such wrong, and no constitutional power to resist unjust demands.

*The Council of the
Secretary of State.*

When the Government of India was transferred from the Company to the Crown, the Secretary of State's Council was intended to be a check on him; and guarantees were provided for securing the independence of members. But these guarantees have, nearly all of them, been swept away by the Amending Acts of 1868 and 1876. Under the arrangements of 1858, the members of the Council were to hold their office during good behaviour, and were not removable except on an address of both Houses of

Parliament. They were thus placed in a position of dignified independence to exercise the important powers of control entrusted to them under the Act. The Act of 1869, however, profoundly modified this position of the Council. It provided that all appointments to the Council were thereafter to be made by the Secretary of State. The members were to hold office for ten years only, and for special reasons to be communicated by the Secretary of State to Parliament they might be re-appointed. These modifications at once lowered the position of the members, destroyed the independence of the Council, and virtually left the Secretary of State supreme in the direction of affairs. The Council was, in fact, reduced to the status of a subordinate Consultative Board, to be composed of the nominees of the Secretary of State—stripped of its original dignity and independence, and left unfitted for the proper discharge of its high constitutional functions. The Act of 1876 empowered the Secretary of State to appoint three of the members for life, thus throwing additional power into his hands. Moreover, the machinery of the Secret Department enables the Secretary of State to order a course of action which may practically render large expenditure inevitable, without the knowledge of his Council.

Subject to the control of the Secretary of State, which often is only nominal, the Government of India can administer the Indian revenues practically as they please. The testimony of Sir A. Colvin and Sir D. Barbour on this point is of great importance. Sir A. Colvin was careful to point out that the present weakness of the Finance Minister's position dates virtually from 1885. That being so, it is evident that the dissent of Lord Cromer, as also of Lords Northbrook and Ripon, from their view, is beside the point. It is true that Lord Lansdowne and Lord Roberts do not endorse the view of the two Finance Ministers. But this was only to be expected, seeing that they themselves are the party against whom the complaint was directed. When Sir A. Colvin and Sir D. Barbour say that with the Viceroy on his side, the Finance Minister is as strong as he ought to be, and when they complain of the weakness of his position during their time, the only inference to be drawn from that is that the Viceroys under whom they served—viz., Lords Dufferin and Lansdowne—were not of an economical turn of mind, and of course we cannot expect Lord Lansdowne to concur in that view.

*The Government of
India and the
Finance Minister.*

The whole position may thus be summed up:—

1. The buffer of the Company's Government, which fairly protected Indian interests, is gone, and there is no effectual substitute.

2. We have no effective constitutional safeguards against the misapplication of our revenues for extra-Indian requirements.

3. The control vested in the Council of the Secretary of State under the Statute of 1858 is rendered almost nugatory by the alteration of its status under recent Amending Acts.

4. The control of Parliament, as against the Secretary of State, has become entirely nominal, owing to the latter being a member of the Imperial Executive, with a standing majority behind him. The old periodical inquiry by Parliament and its jealous watchfulness are gone. In fact we have at present all the disadvantages of Parliamentary Government without its advantages. In the case of all Departments except the Indian, ex-Ministers think it their duty, and also feel it to be their interest, to exercise the closest watch on the proceedings of their successors with a view to passing the most adverse criticism that may be possible. In regard to India alone, ex-Ministers vie with, and sometimes even go beyond, their successors in extolling all that exists and all that is done. The responsible Opposition in this country thus abdicates its functions in the case of India only.

5. The Government of India, as at present constituted, cannot be much interested in economy. Almost all internal administration having been made over to Local Governments under the Decentralization Scheme, questions of foreign policy, large public works, and military questions absorb almost the whole attention of the Government of India. Further, the Finance Minister excepted, every other member of Council, including, since 1885, the Viceroy, has a direct interest in the increase of expenditure.

6. Neither in England nor in India is there the salutary check of public opinion on the financial administration. Parliament is ill-informed and even indifferent. And the Supreme and Local Legislative Councils are simply powerless to control expenditure, since the Budgets have not to be passed, and no resolutions in reference to them can be moved.

Summing up.

Remedies :—

1st.—Voting the Budget in the Supreme Legislative Council, Official majority being retained.

Coming to the question of remedies, I think it is, in the first place, absolutely necessary that the Indian Budget should be passed, item by item, in the Viceregal Legislative Council. Government may retain their standing majority as at present, and that means an absolute guarantee that no adverse vote will be carried against them. We have no wish to see the Government of India defeated on any point in the Supreme Legislative Council, but the moral effect of recording, and, so to say, focussing by means of divisions, non-official disapproval of certain items of expenditure will, I expect, be very great. It must be remembered that while large questions of policy can be discussed and settled with advantage only in this country, the details of Indian expenditure can be criticised effectively and with the necessary amount of knowledge only in India. I would also provide that when a certain proportion of the non-official members of the Supreme Legislative Council—say, more than half—are of opinion that the voting of a particular sum by the Council is prejudicial to Indian interests, they may, if they please, draw up a statement of their case and submit it through the Government of India to a Committee of Control, which, I venture to suggest, should be created in this country.

2nd.—Creation of a Committee of Control. Non-official Members of Viceroy's Council may appeal to this body.

The creation of such a Committee of Control is a matter of the most vital importance. A Standing Committee of the House of Commons has been suggested, and would, I think, do very well. Or the Judicial Committee of the Privy Council might be entrusted with the work. Or even the Arbitration Committee, which now seems likely to be created, might do for this purpose, and the duty of reporting to Parliament from time to time on matters of Indian Finance may be assigned to it. But whatever the form, the Committee should have absolutely no powers of initiating expenditure, else, like the old so-called Board of Control, it will do more harm than good. The Committee should take cognizance of all appeals addressed to it by the non-official members of the Viceroy's Council, and may also call for papers of its own accord, and exercise general control over the administration of Indian expenditure. The proceedings should be reported to Parliament from time to time. If some such body were called into existence, the mere fact that non-official members will be in a position to appeal to it, thereby putting the Government of India and the Secretary of State on their defence, will have a tremendous moral effect, which will make for economy and sound finance in a very striking manner. There is nothing in this which will in any way affect the directive and executive powers of the Secretary of State or the Government of India. The plan provides only for a reasonable amount of control, and will enable the representatives of Indian taxpayers, who have no powers of controlling expenditure, to make a complaint in a responsible and constitutional manner.

3rd.—Amendment of Section 55 of the Act of 1858.

Further I would suggest that Section 55 of the Government of India Act of 1858 be amended. This Section as it stands at present, enacts that "except for preventing or repelling actual invasion of Her Majesty's Indian possessions, or under other sudden and urgent necessity, the revenues of India shall not, without the consent of both Houses of Parliament, be applicable to defray the expenses of any military operation carried on beyond the external possessions of such frontiers by Her Majesty's forces charged upon such revenues." Now this only safeguards the controlling powers of Parliament, and does not provide, as is commonly believed, against the diversion of our monies from their legitimate use, the only thing secured being that the sanction of Parliament shall be obtained, for such diversion—a sanction that can be obtained without any difficulty. Now this is not sufficient and has been of little use in practice, and I would press for an express and absolute statutory provision, giving us a complete guarantee against the misappropriation of our revenues for purposes unconnected with our interests. I therefore beg to suggest that Section 55 of the Government of India Act of 1858 be so amended as to provide that, except in case of actual or threatened invasion, the revenues of India shall not be used for military operations beyond the natural frontiers of India (these frontiers being once for all defined), unless, at any rate, a part of such expenditure is put on the English estimates.

4th.—Legislative Councils of Madras, Bombay, Bengal, N. W. Provinces, Punjab & Burmah to return One Member each to Imperial Parliament.

Further, I would urge that the elected members of the Legislative Councils of Madras, Bombay, Bengal, N. W. Provinces, and now Punjab and Burmah, be invested with the power of returning to the Imperial Parliament one member for each Province. Six men in a House of 670 would introduce no disturbing factor, while the House will be in the position to ascertain Indian public opinion on the various questions coming up before it in a constitutional manner. I may mention that the small French and Portuguese Settlements in India already enjoy a similar privilege.

Here, again, I rely more upon the moral effect of the course proposed than upon any actual results likely to be directly achieved.

The last suggestion that I have to make on this subject is that as far as possible Indian Viceroys should be selected from among men who have earned a distinct position for themselves for their grasp of intricate problems of finance. Among the First Ministers of England, no greater names can be mentioned than those of Walpole, Pitt, Peel, Disraeli, and Gladstone. And all these men were great Finance Ministers. I know men in the very front rank of English politics do not care to go to India, but all the same, if men noted for their knowledge of Finance, like Mr. Goschen, for instance, were induced to accept the Viceroyalty of India, the arrangement would produce decidedly beneficial results. It would be a great advantage to all if the Viceroy instead of being his own Minister for Foreign Affairs, were to be his own Finance Minister. At any rate, his immediate connection with the Foreign Department should cease, the Department being placed like other Departments in charge of a separate member of the Executive Council.

5th.—Special knowledge of Finance to be a necessary qualification of the Viceroy.

I now come to the very interesting and important subject of Provincial Finance. While gratefully acknowledging that the Decentralisation Policy has done a great deal of good, even as far as it has gone, I think the time has come when an important further step ought to be taken. It is now fifteen years since this policy was carried to the point at which it now stands by the Government of Lord Ripon. The fact that nearly the whole internal administration of the country is in the hands of the Provincial Governments, explains why the people of India are so anxious to see the position of Provincial Governments in the matter of Finance strengthened much more than what it is at present. The expenditure administered by the Provincial Governments is principally devoted to objects which are intimately connected with the well-being of the people; and the larger, therefore, this expenditure, the better for them. The chief effects of the existing arrangements are the following :—

Provincial Finance.

1. The “so-called Provincial Contracts”—to use Sir James Westland’s expression—are really only one-sided arrangements practically forced on the weak Provincial Governments by the Government of India, which is all-powerful in the matter. The contracting parties not being on a footing of equality, the Government of India virtually gives the Provincial Governments such terms as secure the maximum advantage to itself, and the power which it possesses of disturbing the contracts even during the period of their currency leaves the Provincial Governments in a state of helplessness and insecurity, and all this is very prejudicial to the interests of the internal administration of the country. A reference to the tables given on pages 47 and 48 of Appendix, Section I, of the Evidence recorded by this Commission will at once show how at each successive revision the Government of India, while keeping to itself all the growth of revenue which had accrued to it as its share of the normal expansion, has in addition resumed a large portion of the share of growth that had accrued to the Provincial Governments compelling them thereby to cut down their expenditure in the first year or two of each new contract. Thus, taking Bombay as an illustration, we find that in 1886-7, the last year of the Contract of 1882, its expenditure was Rx. 3,998,912. This expenditure had, however, to be reduced to Rx. 3,814,500 in 1887-8, the first year of the next contract, and it was not till 1891-2 that the level of 1886-7 was again reached, when at the next revision, it was again put back. The same was the case with almost every other Province. How sore is the feeling of Provincial Governments on this subject may best be seen from the following remarks which the Lieutenant-Governor of Bengal thought it his duty to make in the matter in the Supreme Legislative Council last year :—“ I must say I deprecate the way in which these quinquennial revisions have too frequently been carried out. The Provincial sheep is summarily thrown on its back, close clipped and shorn of its wool, and turned out to shiver till its fleece grows again. The normal history of a Provincial Contract is this—two years of screwing and saving and postponement of works, two years of resumed energy on a normal scale, and one year of dissipation of balances in the fear that if not spent they will be annexed by the Supreme Government, directly or indirectly, at the time of revision. Now all this is wrong, not to say, demoralizing. I say the Supreme Government ought not to shear too closely each quinquennium. It is as much interested in the continuity of work as the Local Governments, and ought to endeavour to secure this and avoid extreme bouleversements of the Provincial finances. . . . It would be an immense gain to Local Administrations if the Government of India could see its way to renewing

the contracts with as little change as practicable on each occasion. It is only in this way that the element of fiscal certainty, which was put forward in 1870 as one of the main objects of decentralization, can be secured. Hitherto we have had but little of certainty." A similar protest was made last year by the Lieutenant-Governor of the N.W. Provinces from his place in the Legislative Council of that Province, and this year the Government of Madras has addressed a very strong remonstrance against the surrender of an additional 24 lakhs of rupees a year demanded by the Supreme Government.

2. There is no fixed or intelligible principle on which these contracts are based—no uniformity in their plan, no equality in the burdens which they impose on the different Provinces. The share of Imperial expenditure which the different Provinces have to bear is not determined by any tests of population or revenue. A calculation made by Sir James Westland, and printed on page 400 of the second volume of the Finance Committee's Report, gives the following results:—

The proportions or percentages of revenue surrendered by each Province to the Supreme Government are as follows:—

	Per cent.
India Districts (General)	26
Central Provinces	56
Burmah	58
Assam	51
Bengal	68
N.W. Provinces	76
Punjab	45
Madras	52
Bombay	46

The contribution of each Province per 100 of the population is as follows:—

Province.	Rupees contributed per 100 of population. Rs.
Central Provinces	71
Burmah	312
Assam	97
Bengal	107
N.W. Provinces	177
Punjab	82
Madras	123
Bombay	155

These figures are sufficient to show the totally arbitrary character of the present contracts. The fact is that these inequalities are a legacy of the pre-decentralization period, when the expenditure of the different Provinces was determined—as men like Sir Charles Trevelyan, Sir John Strachey, General Chesney, and others have put it—not by the resources or requirements of those Provinces, but by the attention that their Governments succeeded in securing from the Central Government, i.e., by the clamour that they made. And when the first step was taken in 1870 in the matter of decentralization, the level of expenditure that had been reached in the different Provinces was taken as the basis on which the contracts were made, and the inequalities that then existed were, so to say, stereotyped. I think it is high time that an effort was made gradually to rectify these inequalities.

3. The third defect of the existing scheme is that while it operates as a check on the growth of Provincial expenditure, it imposes no similar restraint upon the spending propensities of the Government of India.

The only way by which these defects could be remedied was clearly pointed out by four members of Lord Dufferin's Finance Committee. They were the President, Sir Charles Elliot, late Lieutenant-Governor of Bengal, Sir William Hunter, Mr.

Justice Cunningham, and Mr. Justice Ranade. In a note which they submitted to the Government of India on the subject, they made the following four proposals, and urged that their adoption would be attended by very beneficial results :—

(1) That there be no divided Departments, but that those Departments of receipts and expenditure which are now wholly, or almost wholly, Imperial, or which it may be found convenient to make Imperial, should be set on one side for Imperial purposes, and that the receipts and expenditure of the Provincialized Departments should be entirely Provincial.

(2) That whatever the sum be by which the Imperial expenditure exceeds the income from those sources of revenue which are not Provincialized, that sum should be declared the first charge on the Provincial revenues.

(3) That the Provincial surplus which arises from the excess of receipts over expenditure should be the fund from which, in the first place, all Imperial necessities should be met before any increase can take place in Provincial Expenditure.

(4) And that as regards the future growth of revenue it should as far as possible be divided equally between Provincial and Imperial, subject to the condition that if the Imperial exigencies ever required a larger share, the Imperial share should be increased.

Taking the accounts of 1884-5, Sir Charles Elliot and the other members thus illustrated the working of their scheme. They proposed that Opium, Salt, Customs, Tributes, Post-Office, Telegraph, Mint, Interest on Debt, Superannuation Receipts and Charges, The East Indian, Eastern Bengal, Guaranteed and Southern Mahratta Railways, Military Works, Army, Exchange and Home Charges should be wholly Imperial, and that the Government of India should also bear the charges and receive the revenues of the Imperial Districts, *i.e.*, the parts of India which are not included in the Provinces. On the other hand, they proposed that Land Revenue, Stamps, Excise, Assessed Taxes, Forests, Registration, and the Civil Departments should be wholly Provincial, such heads as Stationery, Printing, Miscellaneous, and Railways, Canals, and other Public Works, as were already Provincial continuing to remain so. The accounts of 1884-5, excluding Provincial Rates, were as follows :—

	Imperial.	Provincial.	Total.
	<i>(In thousands of Rupees.)</i>		
Revenue	50,3569	17,5537	67,9106
Expenditure	50,5066	17,4854	67,9920

These accounts, on the basis of readjustment suggested above, would have stood thus :—

	Revenue.	Expenditure.	Surplus or Deficit.
	<i>(In thousands of Rupees.)</i>		
Imperial	32,6799	50,5365	— 17,8566
Provincial	35,4307	17,6559	17,7748

This means that on the basis of division proposed, the Provinces would have to pay about 17 $\frac{3}{4}$ crores, *i.e.*, about fifty per cent. of the revenues made over to them to the Imperial Government to enable the revenue of the latter to come up to its expenditure.

This scheme, if adopted, would have the following advantages over the existing arrangements :—

(a) It would remove all irritation at present felt by the Local Governments, and will secure to them, under ordinary circumstances, half the normal growth of revenues in their Provinces, enabling them thereby to make steady efforts towards the progressive improvement of the Internal Administration of the Country.

(b) It is, of course, not possible to secure *at once* a complete equality in the burdens which the Imperial Expenditure imposes upon the different Provinces.

Provinces that contribute less than half their revenue to the Imperial Exchequer cannot be suddenly called upon to reduce their own expenditure, and pay their full share with a view to reducing the share of those that at present contribute more than half. Existing facts after all must be respected, and the present level of expenditure in the different provinces must be left untouched. But the effect of contributing to the Imperial Exchequer an equal portion of all future increase in revenue, viz., 50 per cent., will be that, year by year, the relation which the contribution of a Province bears to its revenue, will tend more and more towards equalization. Thus the Provinces which now pay, say 60 per cent., of their revenue will, after paying only 50 per cent. of their increase for some years, be found to have dropped down to a ratio of 58 or 57 per cent. And similarly in the Provinces which pay less than 50 per cent. at present, the ratio will constantly work itself up to 50 per cent.

4. The proposed scheme, while making ample provision for the necessities of the Central Government, imposes at the same time something like a check on its spending propensities. It secures to that Government the entire normal growth of the Imperialised items of revenue, and also half that of the Provincialised items, and leaves to it besides the power to demand more than half in times of need. But it is expected that in ordinary years more than half the normal growth of Provincial revenues will not be devoted to non-Provincial purposes.

The adoption of the scheme will place the financial system of India once for all on a sound basis, and will bring it more in a line with the federal systems of finance in other countries, such as Germany, Switzerland, and even Canada, and the United States. In these countries, so far as I have been able to gather, the Central and Constituent Governments have their separate resources, but the latter are called upon in Germany and Switzerland, to make special contributions on extraordinary occasions.

I am confident that the Provincial Governments in India will welcome such a settlement of the question. Before concluding this portion of my evidence I may be permitted to remark that it would have been a matter of general advantage if representatives of Local Governments had come here to give evidence on this subject before the Commission.

*Progress of
Expenditure.*

PROGRESS OF EXPENDITURE.

Our Expenditure shows a large and continuous growth since the transfer of the Government of India from the Company to the Crown, and recent changes in the frontier policy have accelerated its pace in an alarming manner. Excluding railway receipts, the average expenditure for the five years preceding the Mutiny was about 30 crores. It now stands at over 73 crores, nearly 2½ times what it was before the Mutiny.

Increase of Expenditure, taken by itself as a feature of national finance, is not necessarily open to any serious objection. Everything depends in this matter on the nature of the purposes for which the increase has been incurred and the results produced by such outlay of public money. In the United Kingdom, in France, in Italy—in fact, almost everywhere in Europe—there have been large increases in national expenditure during the last thirty years, but the increase in Indian expenditure during this time differs from the increases elsewhere in a most fundamental respect. While increased expenditure in other countries, under proper popular control, has, so far as we are able to judge, helped to bring increased strength and security to the nations, and increased enlightenment and prosperity to the people, our continually growing expenditure has, in our opinion, under autocratic management, defective constitutional control, and the inherent defects of alien domination, only helped to bring about a constantly increasing exploitation of our resources, has retarded our material progress, weakened our natural defences, and burdened us with undefined and indefinite financial liabilities. Compelled to meet the demands of a forward Imperial Frontier policy and the exigencies of consequent Imperial defence, and constantly borrowing for commercial enterprises, often undertaken in consequence of the pressure of English commercial classes, our Indian Government has little money

to spare, with all its increase of taxation, for purposes of national education. Nor has it been able, amidst constant embarrassments of the Military Budget, to forego some prospective land revenue by granting the boon of a permanent settlement to Provinces ripe and more than ripe for the concession under the conditions laid down in Sir Charles Wood's and Sir Stafford Northcote's despatches (1862 and 1867), nor again has it found itself, during all these years, in a position to carry out pressing administrative reforms, like the separation of Judicial and Executive functions.

It is this feature that marks the difference between the growing expenditure of British India and that of other countries, and constitutes our national grievance in respect of administration of our national expenditure. Whereas the capacity of the country to bear increased burdens is growing perceptibly less, our expenditure, under the existing conditions of administration, is rising higher and higher, necessitating a heavy incidence of taxation, exhausting all our fiscal reserves, and what is still more alarming, thrusting on our hands expanding responsibilities.

Under the Company's Government, things were on the whole managed with economy, and increase of taxation was, as far as possible, avoided—a characteristic feature of our Pre-Mutiny Finance. The conquest of the country completed, the Company's Government entered in 1852-3 upon a career of administrative improvement and internal progress, and did much in both directions *without increase of public burdens*. And during the next five years, the fiscal system was reformed, the Police was re-organized, the Judicial and other Establishments were revised with largely extended employment of natives in some of the higher branches, and great activity was shown in regard to Public Works. Over two crores a year were spent on canals and roads and buildings, and arrangements were made with Railway Companies for the construction of the main trunk lines of railway communication. And yet, the expenditure was under 30 crores. Then came the Mutiny. It was a serious national disaster. It added 47 crores to our National Debt; and our permanent annual expenditure increased at one bound by about 9 crores, the Civil Charges going up from 11.7 crores to 15.8 crores, the Army from 12.7 crores to 14.9 crores, and Interest from 2.9 to 5.5. The cloud of distrust, suspicion, and prejudice then raised still hangs over the country, and casts its blighting shadow over, more or less, the whole of our Indian Finance. In respect of Military Expenditure—so, too, in regard to the extended employment of natives in the higher branches of the Civil and Military Services of the Crown—the effects of the Mutiny are still broadly visible.

I beg to be allowed to put in two statements here, which I think will be helpful in comprehending at a glance the progressive nature of our expenditure. The first statement gives figures of total expenditure *minus* railway receipts, figures of the exchange charges, and, lastly, figures of total expenditure *minus* railway receipts, and exchange for the last forty years. The second statement divides the period from 1862 to 1895, into three periods—the first from 1862-70, that of Centralized Finance; the second from 1871-81, that of partially Decentralized Finance, and the third from 1882-95, that of Decentralized Finance—and gives the salient facts connected with our expenditure during all these years. Both these statements have been prepared from the annual Financial Statements.

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STATEMENT I.

Year.	Expenditure in Crores— Railway Receipts.	Exchange in Crores	Expenditure - Railway Receipts and Exchange.
1852-53	28.04	...	28 040
1853-54	30.18	...	30.180
1854-55	30.89	...	30.890
1855-56	31.97	...	31.970
1856-57	31.97	..	31.970
1857-58	40.04	...	40.040
1858-59	50.19	...	50.190
1859-60	50.37	..	50 370
1860-61	46.74	...	46.740
1861-62	43.53	...	43.530
1862-63	42.97	..	42.970
1863-64	44.20	...	44.200
1864-65	45.58	...	45 580
1865-66	45.74	...	45.740
1866-67	44.10	...	44.100
11 months.			
1867-68	49.06	...	49 060
1868-69	51.30	..	51.300
1869-70	50.12	...	50 120
1870-71	49.39	..	49.390
1871-72	49.16	.433	48 727
1872-73	50.82	.694	50 126
1873-74	54.66	.882	53.778
1874-75	53.21	.785	52.425
1875-76	52.64	1.355	51.285
1876-77	55.00	2.059	52 941
1877-78	57.22	1.554	55.666
1878-79	55.38	3 225	52.155
1879-80	60.27	2.926	57.344
1880-81	66.52	2.716	63.804
1881-82	58.81	3.556	55.254
1882-83	58.40	3.234	55.166
1883-84	57.56	3.434	54.126
1884-85	59.20	3.426	55.774
1885-86	63.58	3.23	60.350
1886-87	62.68	5.419	57.261
1887-88	66.25	6.466	59.784
1888-89	66.13	6.971	59.159
1889-90	65.87	6.663	59 207
1890-91	64.82	5.087	59.733
1891-92	68.74	6.937	61.803
1892-93	71.93	9 827	62.103
1893-94	71.82	10.285	61.535
1894-95	73.25	13.068	60.182

PERIODICAL AVERAGES.

Year.	Without Exchange	With Exchange.
1852-53—1856-57	30.8 crores.	30.8 crores.
1857-58—1861-62	46.1 "	46.1 "
1852-63—1870-71	46.9 "	46.9 "
1871-72—1881-82	53.9 "	55.8 "
1882-83—1894-95	58.8 "	65.4 "

POST-MUTINY PERIOD OF INDIAN FINANCE.—DIVISION I.

1862-63—1870-71.

(CENTRALISED FINANCE)

Elements of uncertainty during the period.	Fiscal Reserves.
1. War Office demands, (British Force amalgamated).	1 Balances.
2. Necessity for famine protection.	2 Taxation.
3. Demands for Public Works Pressure of the commercial classes	3. Curtailment of optional expenditure, Public Works, &c.
4. Opium Revenue.	
5. Railway Finance	

NOTEWORTHY FEATURES.

REVENUE.	FAMINES.	1. Large Administrative improvements were required after the Mutiny—civil.
1862-63 .. 45.1	1865-66 Bengal, Madras	
1870-71 .. 51.2	Bombay	
Taxation during the period.	1868 69 North - West	2. Provincial Administrations made increasing demands for varied local improvements, not being themselves responsible for funds
Certificate tax, 1868-69.	Provinces, Central	
Income tax substituted, 1869-70.	Province, Punjab	
Raised.	and Bombay ..	72
Salt tax raised in Madras and Bombay.	FRONTIER EXPEDITIONS.	3. Public opinion in England urged measures for material progress (deemed neglected by the East India Company).
EXPENDITURE.	Sitanna, Bhotan, Lushai.	
1862-63 1870-71	Railway net loss to State	4. The commercial interests of England demanded improvements of communication and other public works
Civil charges .. 15 88 19.13	1862-63 1870-71	
Army charges .. 14 89 16.07	1 6 1 9	
Interest charge 5.47 5 8	HOME CHARGES	5. The recurrence of famines emphasized the obligation of the State as to protective works
Total expenditure, including other heads .. 42.9 49 3	Net expenditure	
Increase, 6.4.	1862-63 1870-71	
OUTLAY ON PUBLIC WORKS DURING 1862-63—1870-71.	£4 9 millions £8 or millions	(a) Private enterprise encouraged in all ways.
Ordinary works 52 66	Fresh War Office charges during the period.	(b) State agency since 1867 employed to co-operate. (100 crores in all spent on public works.)
Guaranteed Railways (from 48 8 in 1862-63 to 92 4).. 43.5	£451,000 (<i>vide</i> Govt. Desp., Nov 21, 1884)	
State outlay on prod. Public Works 4 6	Two Irrigation Companies formed and Port Canning—and other harbour improvement, reclamation companies, &c. (with Govt. support—direct or indirect)	6. War Office measures in respect of the British Army imposed a net charge of £450,000 due to amalgamation and unequal military partnership.
100 7	Opium Revenue.	
NET DEFICIT during the period.	1862-63 1870-71. 1881-82	Total expenditure rose from 42 9—49 3.
Surplus. Deficit.	8.06 crores 8.04 crores 6 36 crores	Expanding demands for expenditure.
6 2 6.4=2		(1) General administrative improvement.
1862-63 1870-71		(2) Public works—productive ordinary, protective
Debt 96 8 104 0		(3) Provincial needs
Increase, 7.0.		(4) War Office demands.
1862-63 1870-71		2 and 4 beyond the control of Government of India.
Balances .. 23 1 20 1		Necessity for limitation of expanding demands
Decrease, 3 crores		In respect of 3 Provincial Decentralization carried out 1870-71

POST-MUTINY PERIOD OF INDIAN FAMINE.—DIVISION II

1871-2—1881-2

(Partially Decentralized Finance).

<p>Elements of uncertainty during the period</p> <ol style="list-style-type: none"> 1. War Office demands. 2. Famine and Protective action. 3. Public Works—commercial demands. 4. Opium revenue. 5. Exchange. 6. Railway Finance. 7. Exigencies of Imperial policy in Central Asia 	<p>Fiscal Reserves.</p> <ol style="list-style-type: none"> 1. Balances. 2. Taxation. 3. Curtailment of P W option expenditure 4. Famine grant
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NOTEWORTHY FEATURES

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The famines and the vast expenditure required led to the formation of a Famine Insurance Fund; yet the Fund diverted to war 4. Fresh War Office charges amounting to 48 lakhs, due to amalgamation, came upon the Indian Budget for increase of military efficiency. 5. What disturbed Indian Finance most was a change of policy on N W. Frontier Imperial policy in Central Asia entered upon a new phase with Russia's conquest of Khiva Afghanistan given up as a neutral zone, and the Amir promised material and moral aid against unprovoked foreign aggression, a change of policy which converted Afghanistan virtually into a British Frontier Protectorate The line of the Indus given up as the Border line of British India Indian Finance loaded with cost of schemes of Imperial territorial expansion in central Asia, and a preponderance came to be given to military considerations in our financial arrangements Here Indian interest was subordinated to the exigencies of Imperial policy 6. Exchange difficulty increased. <p>Total expenditure increased by 9.7 crores.</p> <p>Expanding demands.</p> <ol style="list-style-type: none"> 1. General Administrative improvement. 2. Public Works—pressure of English commercial interests 3. War Office demands—amalgamation 4. Treasury Office demands—central Asian Imperial policy. 5. Exchange. 2, 3, 4, and 5, all beyond the control of Government of India 1. Further decentralization 																																			
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POST-MUTINY PERIOD OF INDIAN FAMINE.—DIVISION III.

1881-2—1894-5.

(Finance Decentralized as at present.)

Elements of uncertainty during the period.	Fiscal Reserves.
1. War Office demands	1. Balances.
2. Military Expenditure.	2 Taxation.
3 Famine.	3 Curtailment of Public Works optional Expenditure.
4 Public Works — commercial pressure as to Railways.	4 Famine grant.
5. Opium Revenue.	5 Contributions from Provincial Governments.
6. Exchange.	6 Periodical revision of Provincial contracts.
7 Railway Finance.	7. Transfer of Public Works from Revenue to capital.
8. Imperial Policy in Asia — conquests and Frontier protectorates.	

NOTEWORTHY FEATURES.

REVENUE
minus railway receipts.

1881-82 62 9 crores.
1894-95 73 0 "

TAXATION

1882-83 Import duties abolished, salt duty reduced and so too opium duty.
1886-87 Income tax substituted for licence tax.
1888-89 Petroleum duty imposed, salt duty raised.
1894-95 Customs duties

EXPENDITURE

	1881-82	1894-95
Civil charges..	19 26	25 55
Army ..	18 18	24 31
Exchange ..	3 5	13 0
<hr/>		
Total expenditure including other items	58 81	73 25
Increase 14 45 as against 9 7, 6 4 of preceding periods		

OUTLAY ON PUBLIC WORKS

	1881-82	1894-95
Ordinary Public Works ..		75 36
Guaranteed Railways ..	68 7	71 1
State outlay on Public Works	59 82	115 5
<hr/>		
Total net outlay (excluding capital in Railway Annuities = 30 millions)		128 5 186 6
Frontier strategic railways..	14 4 crores	14 4
		<hr/>
		147 76

DEBT.

1881-82	1894-95
156.8	218.3
Increase 61.5	

1881-82	1894-95
9 36	7 32

BALANCES.

1881-82	1894-95
17 14	25 2
Increase 8.06	

FAMINES,
Scarcities in Madras and Bombay

WAR AND CONQUEST

Upper Burma.
British Beluchistan.
Gilgit Agency.
Somali Coast
Afghan Protectorate, developed and confirmed. (Durand Treaty)
Expeditions beyond the Frontier.

INCREASE OF INDIAN ARMIES.

(1886-88)

An Imperial Reserve

HOME CHARGES NET EXPENDITURE.

1881-82 £11 1 millions
1894-85 £15.6 "

PROVINCIAL RATES

(Due to decentralization).

1881-82	2,895
1885-86	2,960
1889-90	3,470
1894-95	3,541

Increase, 646

Provincial contracts revised,
Gain to Imperial Treasury.

2nd revision (1882-83)	..	nil
3rd .. (1886-87)	..	640
4th .. (1892-93)	..	466

PROVINCIAL CONTRIBUTIONS.

1886-87	.400
1889-90	.740
1890-91	490
1894-95	.405

Provincial contribution restored in 1882-83 .670

RAILWAY NET LOSS.

1881-82	.2
1894-95	2.348

1. The period was a disturbed period of war, panic, and military precautionary measures and territorial annexations — costing us about 70 crores during it.

2. English public opinion pressing for material progress, the commercial interests demanding railway extensions, the local services clamouring for increased pay and promotion and exchange compensation. The strain on Indian Finance was severe.

3. Developments of Imperial policy in Asia involving us in large trans-frontier and other liabilities, Upper Burmah and other frontier provinces thrust on our hands for administrative development, which means vast future outlay.

India now in touch with the great powers of Asia is necessarily pledged to vast military expenditure

Indian defence weakened.

Indian Finance at the mercy of military considerations.

Indian armies increased.

4. Exchange difficulty enormously increased concurrently with a fall in opium

Grant of exchange compensation allowance

Total expenditure increased by 14 44 crores as against 9 7 and 6 4 of the previous periods.

Expanding demands :

(1) Public works,

(2) War Office demands.

(3) Demands of Central Asian policy.

(4) Exchange.

All beyond the control of the Government of India

Taxation having reached its utmost limits, the enormous growth of expenditure during the period leaves us no fiscal reserve ; yet elements of uncertainty and instability of Indian Finance have largely grown and the Government of India is compelled in the interests of financial solvency to be able to meet fluctuating and expanding uncontrollable demands to keep tight its hold on every fiscal resource, limiting the means of the provincial administrations on the one side and reserving its freedom of action in regard to Famine Grants, Productive Public Works expenditure and Provincial Contributions.

*Imperial and
Provincial Net
Expenditure.*

It is interesting to note how the growth of net expenditure has been divided between Imperial and Provincial since 1882, when Provincial finance was placed on its present basis. Putting together Tables 1 and 21 of Sir H. Waterfield, we have the following result :—

Year.	Total Net.	Provincial Net.	Imperial Net.
	In crores of Rs.	In crores of Rs.	In crores of Rs.
1882-83	41.79	10.98	30.81
1883-84	41.66	10.83	30.83
1884-85	41.90	11.62	30.28
1885-86	45.43	12.27	33.16
1886-87	44.55	12.12	
1887-88	47.37	12.35	35.02
1888-89	46.44	12.52	33.92
1889-90	47.34	13.10	34.24
1890-91	45.66	12.64	33.02
1891-92	49.50	13.60	35.90
1892-93	52.43	13.40	39.03
1893-94	51.87	13.33	38.54
1894-95	52.74	13.13	39.61
Increase in 1894-95 over 1882-83	10.95	2.15	8.80

It will be seen that while the expenditure of the internal administration of the country has been allowed to increase in thirteen years by only a little over two crores of rupees, the expenditure administered by the Government of India has increased during the time by nearly nine crores. It may also be added that during the three years of Lord Ripon's Viceroyalty which belong to this period, the net Imperial expenditure was not only not increasing, but actually showed a tendency to decrease.

*Military
Expenditure.*

No student or critic of Indian Finance will fail to be struck by the position which Military charges occupy in the administration of Indian expenditure. It is indeed difficult to enter into a thorough examination of this branch of our expenditure without raising a discussion about certain matters of policy which have been held to be outside the terms of this Commission's reference. My friends, Mr. Morgan-Browne and Mr. Wacha, have, however, already placed the views of the Indian people on some aspects of this subject before the Commission, and I have no wish to go over the same ground again. I will, therefore, content myself with a statement of certain additional facts connected with our military expenditure, leaving the Commission to draw its own conclusions from them.

Its strength (1894-95).

Standing Army	219,778
British Troops	73,119
Miscellaneous British Officers	921
Native Troops, including British Officers	145,738
Native Army Reserve	13,862
Volunteers	29,089
Total of armed strength on mobilisation	262,729
a strength even smaller than Japan commands, and about equal to that of Greece.	

Its cost (1894-95).

	Rx. crores.
Ordinary expenditure	20.0
Military works (ordinary)	1.1
Total (ordinary)	21.1
Special expenditure during the year... ..	.6
Exchange	3.6
	<u>25.3</u>

Ratio of ordinary military expenditure to total expenditure for the year = $\frac{25.3}{73.2} =$
nearly 35 per cent., thus comparing with what we have in other countries.

	Millions £.
United Kingdom—Army Expenditure	17.8
" " Total " 	91.3 = 19 per cent.
France—Army Expenditure	25.9
" Total " 	138.0 = 19 " "
Italy—Army	9.4
" Total " 	72.4 = 13 " "
Japan—Army	2.6
" Total " 	16.2 = 16 " "
Greece—Army ... ..	.58
" Total " 	4.2 = 13 " "
British India—Army Expenditure	25.4
" " Total " 	73.2 = 35 " "
	$\frac{21}{73}$ or omitting exchange — or 30 per cent.
Russia—Army Expenditure	23.9
" Total Expenditure... ..	115.0 = 21 p. cent. nearly.

The growth of our military expenditure, excluding all exceptional items—exchange, and even military works—has been as below:—

Years.	Average Strength.			Average Expenditure in crores.
	British.	Native.	Total.	
1837-38— 1856-57 (20 years)	43,826	222,915	266,741	10.85
1861-62— 1873-74 (13 years)	62,458	123,881	186,340	15.68
1874-75— 1880-81 (7 years)	61,884	122,556	184,441	16.17
1881-82— 1884-85 (4 years)	57,975	119,939	177,714	16.55
1885-86— 1894-95 (10 years)	70,704	140,682	211,387	18.25
1894-95	74,040	145,738	219,778	20.1

Taking, according to Mr. Kellner's estimate, seven native soldiers as financially equal to three European soldiers, we may summarise the periodical expenditures on our Army thus :—

Period.	Total Strength European Standard.	Total cost in crores.	Charge per combatant in rupees.
1837-8—1856-7	139,383	10.85	778
1861-2—1873-4	115,550	15.68	1357
1874-5—1880-1	114,408	16.17	1413
1881-2—1884-5	109,291	16.55	1515
1885-6—1894-5	130,996	18.25	1393
1894-5	140,400	20.1	1430
...			

During the twenty years preceding the Mutiny, a most eventful period of war and conquest, we had under the Company's rule an armed force about as strong as now, but maintained at nearly half the cost, the charge per combatant being Rs. 775. The Mutiny came, and the transfer of India to the Crown followed; Army Amalgamation was carried out, the staff corps formed, and other changes in Army organisation effected, and our military expenditure rose at a bound to 14.89 crores from 10.85, the average of the pre-mutiny period. It has gone on ever since steadily increasing till we come to the present year when it stands at full 20 crores exclusive of exchange, the strength being about the same as before the mutiny.

(A) Looking to the composition of the Army we have 74,040 British troops to 145,738 native troops, or almost exactly in the proportion of 1 to 2. During the twenty years preceding the mutiny, the proportion of British to native troops was 1 to 5, and sometimes much lower. The outbreak of 1857 followed; a Royal Commission inquired into the matter in 1859, and in its report submitted the following recommendation to Her Majesty :—“As regards the third question, the proportion which European should bear to Native Corps in Cavalry, Infantry and Artillery respectively, your Majesty's Commissioners are of opinion that the amount of native force should not, *under present circumstances*, bear a greater proportion to the European, in Cavalry and Infantry, than 2 to 1 for Bengal, and 3 to 1 for Madras and Bombay respectively.” The proportions thus laid down were recommended in view of the circumstances of the disturbed period, and were not absolute, precluding all future modification as things should change. The present organization, however, practically rests on that recommendation, the proportion being as a whole as 2 to 1—the differential proportions recommended for Bombay and Madras being ignored.

Taking the recommendations of the Royal Commission, and looking to the local distribution of the armies, we have

Native troops.	British troops.	Excess of British troops over the accepted standard.
Bengal ($\frac{1}{3}$) 84,614	46,379	4,072
Madras ($\frac{1}{3}$) 32,306	14,195 }	7,266
Bombay ($\frac{1}{3}$) 28,878	13,466 }	
		11,338

This is the amount of excess British Force over the accepted standard we have in the country, and I submit that there is nothing in the present condition of things to justify such a large departure from the recommendations of the Commission; things admittedly have changed for the better, and with our increasing appreciation of British rule, and growing attachment to Her Majesty's throne, we should have expected the proportions to be modified the other way. As it is, we have on our hands a force of more than 11,000 British troops, and taking the cost per European combatant at Rs. 1413 a year, we see this excess force burdens our military Budget with a needless $1\frac{1}{2}$ crores (or more exactly Rs. 1,57,30,000). $1\frac{1}{2}$ crores a year is rather too heavy a charge for a poor country to bear unnecessarily.

(B) The strength of our existing Army is, further, in excess, by the recent increases of 30,000 troops, of the military needs of the country, as laid down by the Army Commission of 1879, who even contemplated among other things, in framing their estimate of our requirements, "the contingency of operations beyond the Frontier, not merely against Russia with Afghanistan as our ally but against Russia assisted by Afghanistan," and, as Mr. Ilbert and Sir A. Colvin in their dissent point out, no circumstances have risen which necessitated these augmentations.

(C) But again the existing organisation of our Army is so faulty that it imposes a needlessly grievous burden on the Indian Exchequer. Our Army is always practically on a war footing; we have no peace establishment proper; and the strength we could mobilize in an emergency is—including volunteers and reserves—not more than 252,719 men all told. And it is for such meagre armed strength that we have to spend under the present vicious system 25 crores and more a year. While most countries in Europe have adopted short service and the system of reserves—a system which gives them a maximum of combatant strength at a minimum of cost, India alone has to keep up her armies on a war footing even in time of peace, and has to pay a heavy penalty—getting no commensurate return for the money she spends. In these days the armed strength of a nation is measured, as stated by Lord Wolseley, not by the number of men under arms in its standing Army, but by the total number of trained soldiers it could put together for active service—when needed—service with the colours being but a course of training for the recruits, much more than active preparedness for war; and in an emergency the reserves being relied upon as the first line of national defence. While the United Kingdom spends about eighteen millions on her army, and has a total armed strength of 588,785 men; France spends about twenty-six millions, and has an active army of 572,102, with reserves numbering 1,778,000 or a total of 2,350,000; Germany spends twenty-seven millions, and maintains an active army of 562,014, and can mobilize in time of war, with her splendid reserves, a total force of 3,000,000; even Japan, an oriental country which has so successfully copied the European system, spends two and a-half millions on her armies, keeping up a standing force of 37,719, and is able to mobilize a force of 269,748, British India, though she spends even more than the United Kingdom itself on her armies (25 crores), has but a standing force of 219,778, and with the reserves and volunteers, of 252,729, to show a strength even smaller than that of Japan, and scarcely $\frac{1}{2}$ of Germany.

England adopted Short Service in 1871-72, but did not extend the benefit to the Indian Army. How wasteful our existing system is, may be more clearly seen, when we find that we have had to add three crores to our military Budget to increase our armed force by 30,000 troops.

(D) Taking the two component parts of the Indian Army:—

(a) BRITISH TROOPS.

(1) Here we pay for Short Service, but the advantage of the system goes all to England. The peculiar merit of the system is that it gives a large reserve. Our English reserve is in England, and is not always available to us. Hence the British troops in India are all placed on a war footing.

In respect of the recent increase, the argument strongly urged was that we could not always depend on England for re-inforcements—possibly least when we should need them most. Though the Indian revenues contribute so largely to the maintenance of the Army reserve in England, we could not always count upon getting the British troops augmented in India when we should have to take the field on a large scale.

(2) We have yet the peculiar disadvantage of Short Service—a paucity of seasoned soldiers in the standing force. Lord Wolseley has told us that men of under two or two and a-half years' service are seldom sent on active service, and whenever mobilization takes place for field service in European countries, it is the reserves that are largely drawn upon. As we have no reserve in India, we pay for a force which is not all available for field duty.

(3) We have, further, to pay for a higher standard of efficiency than is needed. In any country the efficiency of its army is always proportioned to its requirements, and is dependent on military conditions of offence and defence which exist. In India we have not the same military conditions with which England has to deal in Europe; we

have not here in Asia gigantic military camps such as there are in Europe, and yet, under the amalgamation carried out after the Mutiny, we have to pay our share in full, calculated, too, on an arithmetical basis, for the maintenance of a standard of military efficiency which English—not Indian—conditions render necessary.

(b) THE NATIVE ARMY.

Our Native Army, though theoretically a long service army, is practically in the main a short service one. Under the regulations a man can claim his discharge after three years' service, and it is calculated that as many as 80,000 trained native soldiers return to their homes in ten years time. The Army Commission of 1879 proposed the formation of reserves in order to retain a portion of these 80,000 men bound to the obligations of service, and also in the hope that the reserves so formed in time of peace might "enable the Government to reduce the peace strength of the Native Army," and expressed their view that such a restricted reserve system could cause no political danger to the country. The proposed reserves were calculated to absorb 58,200 men out of the 80,000 retiring from the Army every ten years.

The formation of such reserves to the Native Army was decided on in 1885-6, and Lord Dufferin's Government proposed to begin with two kinds of reserves—regimental and territorial; of which the latter system was evidently the more suitable of the two, and could have succeeded better. But the Secretary of State vetoed the proposal as far as it related to the formation of territorial reserves, apprehensive of political and military dangers of such a step, and sanctioned only regimental reserves. Accordingly we have now the feeble and straggling reserve that there is, numbering about 14,000.

Of course, as far as it goes, it is a step in the right direction, however halting, and a strong effort ought to be made to organise on a sound basis a large effective reserve to the Native Army, so as to permit of reduction in its strength which, while increasing the total armed strength of the country, would bring material relief to the finances of the country. The wasteful costliness of the existing system is obvious.

(E) We next come to the officering of the Native Army. Before the Mutiny there were two classes of native regiments, "regular and irregular." In the regular regiments, the nominal staff of British officers was 25 strong, of whom about 12 were actually present, the rest employed in civil and other departments. In the irregular regiments, there were only 3 British officers, the rest of the staff being entirely native. When the armies were reconstructed after the Mutiny in 1861, the irregular system was adopted throughout the Native Army—first in Bengal and later in Madras and Bombay—with the change that the number of British officers per regiment was increased from 3 to 7. In 1874-5 the strength of English officers was increased by the addition of 2 probationers to each corps. In 1882-3 one more officer was added to the cadre; so that now we have 8 British officers in each regiment, ousting the Native officers virtually from the entire field of higher regimental command. Before the Mutiny, and in the irregular regiments, the British officers commanded wings and squadrons, leaving the command of the troops and companies to Native officers. Since the transfer and the reconstruction of the armies, the field of employment for Native officers has steadily contracted, and they have not now even the command of troops and companies, and hold a lower status in the Army. In their place a costly European agency has been put in, thereby imposing a great burden on the finances.

Even in the lower positions, the number of Native officers has sensibly fallen off during the past twenty years. In 1876-7 the number of these officers was 2,812, in 1895-6 it is 2,759, a decrease of 53 officers, though the strength of the Army has risen during the period from 120,672 to 141,257 (*i.e.*, 20,000). On the other hand the number of British officers shows an increase of 149 officers (from 1,431 to 1,580).

(F) Lastly, we come to a feature of the existing army organisation—the most wasteful of all.

The Indian Staff Corps System—(a corps of officers intended for the Native Army as well as for civil employ in the political, police, survey, and other departments, and in the Frontier and non-regulation provinces).

When the amalgamation was carried out in 1861, there was a complete change in the system of officering the Native Army. The old supply from British regiments was stopped, and a staff corps was established in each presidency for the purpose. All officers of the Army, except those who declined, were transferred to the new corps. The promotion in the new corps was entirely by length of service, not by succession to a vacancy, so that lieutenants became captains, and captains majors, and so on, though the promotions were not needed for the work of the Army. The system is still in force, which is as under:—*Ensigns* on transfer to the corps to become *Lieutenants*; *Lieutenants*, after eleven years' service, to be *Captains*; after twenty years' service to be *Majors*, and after twenty-six years' service to be *Lieutenant-Colonels*.

Further privileges were in 1866 conceded to the staff corps. Previous to that year a certain number of Lieutenant-Colonels succeeded on vacancies occurring to Colonels' allowances. These carried with them an extra pension of £664 a year. In 1866 the Secretary of State allowed all officers then in the staff corps, and all who might join, to succeed to Colonels' allowances after twelve years' service in the grade of Lieutenant-Colonel without reference to any fixed establishment of Colonels with Colonel's allowance. Thus, every officer could in future rely on getting Colonel's allowance if he lived and clung to the service till he had served thirty-eight years. The general result of this extraordinary system of promotions and pensions has been that the upper ranks of the service are filled with officers for whom there is no work.

The Colonels' allowances, previous to 1866, were granted only to a certain number on ground of special merit, at the rate of 1 to 30 officers. Since then, it has been indiscriminately allowed to all, and we have now 501 officers in receipt of Colonels' allowances on a staff corps of 2,826 strong, *i.e.*, more than 1 in 6 officers.

The grant of such allowances is now placed under new conditions, but the heavy burden on the exchequer, due to the measures of the past, taken in the interest of the officers, grows heavier every year. The old system of promotion is still in force, regulated not in accordance with the needs of the services, but in the interest of the officers, as if the Army was for the officers, and not the officers for the Army.

The whole question regarding the constitution, terms of service, rates of pay and pension, in regard to this costly and privileged corps, requires to be carefully examined. As it is, the whole system rests on an unsound basis, the corps is over-numerous, and drawing privileged rates of pay and pension, inflicting a heavy burden on the national exchequer.

In every department of Indian expenditure the question of agency is one of paramount importance. According to a Parliamentary return of May, 1892, we have in India, in the higher branches of the Civil and Military Departments, a total of 2,388 officers, drawing Rs. 10,000 a year and upwards, of whom only 60 are natives of India, and even these, with the exception of such as are Judges, stop at a comparatively lower level. And they are thus divided:—

The Services.

	Natives.	Eurasians.	Europeans.	Total Salaries of Natives.	Total Salaries of Eurasians.	Total Salaries of Europeans.
				In thousands of rupees.		
Civil Department	55	10	1,211	9,47	1,51	2,52,74
Military „	1	1	854	12	11	1,32,68
Public Works Dep.	3	4	239	33	45	34,15
Incorporated Local Funds	1		9	10		1,13
Total ...	60	15	2,313	10,02	2,07	4,20,70

In addition to these, the Railway Companies employ 105 officers, drawing Rs. 10,000 a year and more. They are all Europeans, and their total salaries come to 16 lakhs, 28,000 rupees.

If we come down to officers drawing between Rs. 5,000 and Rs. 10,000 a year, we find that we have 421 natives in the Civil Department, as against 1,207 Europeans

and 96 Eurasians. In the Military Department there are 25 Natives, as against 1,699 Europeans and 22 Eurasians. In the P.W. Department there are 85 Natives, as against 549 Europeans and 39 Eurasians. And in the Incorporated Local Funds there are four Natives, as against 22 Europeans and three Eurasians. The total salaries of officers of this class are thus divided:—Civil Department—Natives, 29,05 thousand; Eurasians, 6,50 thousand; and Europeans, 88,30 thousand. In the Military Department—Natives, 1,64 thousand; Eurasians, 1,39 thousand; and Europeans, 1,36,98 thousand. In the P.W. Department—Natives, 5,37 thousand; Eurasians, 2,78 thousand; and Europeans, 39,62 thousand. And in the Incorporated Local Funds—Natives, 25 thousand; Eurasians, 17 thousand; and Europeans, 1,46 thousand. In addition to these, there are under the Railway Companies 258 officers of this class, of whom only two are Natives, eight being Eurasians and 248 Europeans. Their salaries are thus divided:—Natives, 12 thousand; Eurasians, 50 thousand; and Europeans 17 lakhs 10 thousand.

In England £125,360 is paid as salaries by the Indian Government, and £54,522 by Railway Companies, all to Europeans.

The financial loss entailed by this practical monopoly by Europeans of the higher branches of the Services in India is not represented by salaries only. There are, besides heavy pension and furlough charges, more than 3½ million sterling being paid to Europeans in England for the purpose in 1890.

The excessive costliness of the foreign agency is not, however, its only evil. There is a moral evil which, if anything, is even greater. A kind of dwarfing or stunting of the Indian race is going on under the present system. We must live all the days of our life in an atmosphere of inferiority, and the tallest of us must bend, in order that the exigencies of the existing system may be satisfied. The upward impulse, if I may use such an expression, which every schoolboy at Eton or Harrow may feel, that he may one day be a Gladstone, a Nelson or a Wellington, and which may draw forth the best efforts of which he is capable—that is denied to us. The full height to which our manhood is capable of rising can never be reached by us under the present system. The moral elevation which every self-governing people feel cannot be felt by us. Our administration and military talents must gradually disappear, owing to sheer disuse, till at last our lot, as hewers of wood and drawers of water in our own country, is stereotyped.

The Indian Civil Service is nearly 1,100 strong. Under the rules of 1879, since abolished, we were entitled to one-sixth of the whole recruitment, and in course of time we should have had about 180 Natives in the Indian Civil Service. The Public Service Commission, appointed by Lord Dufferin, proposed the abolition of those rules, and recommended that 108 posts usually held by Covenanted Civil Servants should be set aside for Indians. The Government of India and the Secretary of State thought this recommendation too liberal, and ultimately decided to throw open only 93 such posts to which the Natives of India may be appointed, after certain existing claims were satisfied.

That these higher posts are guarded with extreme jealousy as practically a close preserve may be clearly seen from the following illustration. Mr. Jacob gives in Appendix 16 of Section II. the total number of District and Sessions Judges in India as 126. Out of these only five are Natives. Now the capacity of Natives for the efficient discharge of judicial duties has been over and over again recognised, and the Public Service Commission expressly recommended that one-third of all District and Sessions Judgeships should be given to Natives, which meant 42 out of 126. Instead of this 42, however, we have at the present day only five Native District and Sessions Judges.

So, again, in the Police. Out of 230 District Superintendents only three are Natives. Only five Natives qualified to do the work of District and Sessions Judges, and only three for the work of Police Superintendents, in all India, after close on a century of British rule!

The same is the case with the Forest, Accounts, Opium, Mint, Scientific and other Departments.

In the Public Works Department, we have a total strength of 800 engineers, of whom only 96 are natives. The Indian Civil Engineering Colleges have been working for years, and yet not more than 96 of their trained graduates are to be found in the higher branches of the engineering service. In this connection I may mention that the Finance Committee of 1886 recommended that the connection of the Indian Government with the Cooper's Hill College be terminated as soon as possible, and

that there be a larger recruitment of students of Indian Colleges. This recommendation, however, was not accepted by the Government of India.

I may also be permitted to make one or two general observations here on this Public Works Department. This Department has been for a long time over-manned, and Lord Dufferin's Finance Committee thought it necessary to pass some severe criticism on the point. The sanctioned strength is 760. The actual strength in 1884-5 was 898, in 1893 it was 857, and now it is about 800, which is still 40 in excess of the sanctioned strength. Ever since the expansion of the Department in 1860—and notably from 1868 to 1875—we have had the superior staff arranged less with reference to the work to be done than to the condition of things as regards the position of officers. There has frequently been hasty and irregular recruitment during the periods of expansion, followed by blocks in promotion, requiring in their turn corrective efforts in the shape of special allowances or better pay and pensions, not founded on a consideration of the Executive needs of the Department. And more than once officers have been specially induced to retire from the service on very favourable conditions as to pensions, to reduce the redundancy of officers.

The Finance Committee of 1886 recommended that Royal Engineers in the Indian Army should be put on the Civil Staff, remarking that "it is necessary to maintain a considerable establishment of Royal Engineers in India for military requirements. . . . Such of them as are not needed for purely military duty in time of peace can be best employed in the Public Works Department, and should, in our opinion, have the first claim for employment in that Department in preference to all others," and the Committee suggested that the Military Works Branch of the Department should be abolished as a separate branch for the Military Works and amalgamated with the General Department. The suggestion as to the abolition of Military Works branch has not been carried out, and only 70 Royal Engineers from a total of 273 are at present on the Civil Staff, the greater number of the remaining 200 or so doing little or no work. It may be added that these suggestions of the Finance Committee had the full approval of the then Commander-in-Chief.

This allowance was granted to all non-domiciled European and Eurasian employes about the middle of 1893, and the figures for the last three years have been as follows :—

Year.	Amount in Rx.
1893-94	618,468
1894-95	1,239,275
1895-96	1,327,632

*Exchange
Compensation
Allowance.*

The allowance consists in converting half the salary of each officer into sterling at the rate of 1s. 6d., subject to the maximum of £1,000, and then converting it back again into rupees at the current rate of exchange. Practically it has amounted to a general increase of salaries. Now, in the first place, it is admitted that these employes of Government had no legal claim to the compensation. The pay of the European soldier in India is fixed in sterling, and the Government have now to make to him a much larger rupee payment than before. Nobody, however, has ever suggested that this rupee payment should be reduced. If anyone had made the suggestion, he would have been told that the soldier was entitled to it. The guaranteed companies are now getting 5 per cent on their capital, though they do not earn so much, and though Government can to-day borrow at the rate of 2½ per cent. If anyone were to say that 5 per cent. is too high now to pay, and that the companies should be asked to be satisfied with less, he would be told a contract is a contract. My point in giving these illustrations is this—if existing contracts are not to be disturbed in favour of the Indian Exchequer, why should they be disturbed against it?

Secondly, if the European employes of Government suffered from the fall in exchange, Government itself, as representing the taxpayers, suffered much more from the same cause. When such a general misfortune had overtaken all classes, to single out a particular class for special relief by imposing additional burdens on the remaining classes, and these not well able to bear them, was entirely unjust.

Thirdly, though it is quite true that the fall in exchange had considerably lowered the gold value of the rupee salaries, the salaries themselves were so excessively high, considering especially the great change that has taken place in the facilities and means of communication between England and India, that even with the fall in exchange they were very high. I think it will be admitted that non-official Anglo-

Indian testimony on this point is very valuable. The Bombay Chamber of Commerce is recognised to be one of the foremost and most important representatives of the English Mercantile Community in India. This Chamber, in writing to the Finance Committee on the subject of reduction of expenditure in 1886, thus wrote on the subject of salaries paid to Englishmen in India:—"The question of the salaries paid by Government to its servants is one on which the Chamber holds very decided views. The just apportionment of remuneration to the exact quality and quantity of work done may, from the standpoint of individual cases, call for very nice discrimination and intimate knowledge of the circumstances surrounding each appointment; but the Chamber, having many amongst its members in a position to form a true estimate of the standard of pay necessary, at the present day of widespread education and keen and increasing competition among the members of the middle classes for responsible employment, to ensure the attainments required from civil servants, covenanted and uncovenanted, does not hesitate to say that the entire scale of remuneration, but more especially of the senior classes, is pitched at too high a level. At the time existing rates were settled, not only did the requisite educational acquirements command a higher premium than they do now, but there were other considerations calling for momentary compensation. In former days an Indian career practically entailed expatriation; officials frequently lived very solitary lives, were exposed to exceptional temptations, and exercised great responsibility. In latter years these conditions have been greatly mitigated, and in some cases thoroughly reversed. Communication with England is constant and rapid, life in India is healthier and attended with more comfort and less expense, whilst control is so centralised that responsibility is in a great measure taken out of the hands of the officials, except of the highest ranks. Under these circumstances, a revision of all salaries, but particularly those above, say, Rs. 1,000 per month, is manifestly justifiable and called for. In all recent discussions on this subject, the decline in sterling exchange has been urged as a strong argument for non-reduction; but in the view of this Chamber that is a matter which Government should not take into account. What it has to look to is purely the amount it must pay under all existing conditions and circumstances, in order to secure the necessary qualified labour in this country, leaving individuals themselves to provide for the wants of their families in Europe, and their own requirements for leave. The Chamber, in fact, would go even further than this, and advocate that, under the new rules for future contracts, all civil pensions and retiring allowances should be paid in the currency of the country. India is no longer a *terra incognita* to the educated classes of England, and even under the comparatively less tempting inducements indicated above, the Chamber feels convinced that there would be no lack of suitable men ready and anxious to recruit the ranks of the service. This naturally leads to the consideration of the economy practicable by a larger employment of natives. Much might, doubtless, be saved in this way, particularly in connection with the Judicial Department, where the opening for efficient native agency seems widest; but the Chamber is not prepared to formulate, nor possibly your Committee to discuss, a settled scheme for the entrance of natives into the covenanted and uncovenanted services. All I am instructed to lay stress upon in that direction is that, when Government decide on the competence of natives to hold certain posts, due allowance should be made in fixing their pay for the proportionate cost of living and expenditure between them and Europeans of a like grade."

Fourthly, assuming that some relief was needed, it was most unfair to give the allowance to all. I mean men who went out to India after the rupee had fallen below 1s. 4d., *i.e.*, who accepted the rupee salaries with their eyes open, as also those who had no remittances to make to England—these, at any rate, ought not to have been granted the allowance. This indiscriminate nature of the grant constitutes, in my opinion, its worst and most reprehensible feature. No wonder, after this, that the Indians should feel that India exists for the European services, and not the services for India. While the miserable pittance spent by Government on the education of the people has stood absolutely stationary for the last five years on the ground that Government has no more money to spare for it, here is a sum larger than the whole educational expenditure of Government given away to its European officials by one stroke of the pen!

The salaries of some of the officers are fixed in rupees by statute. The grant to these men seems to be illegal as long as the statute is not amended. The question, I understand, has been raised, but it has not yet been disposed of by the Secretary of

State. Meanwhile the allowance continues to be paid to these officers pending such disposal.

The meagreness of the Government assistance to public education in India is one of the gravest blots on the administration of Indian expenditure. No words can be too strong in condemning this neglect of what was solemnly accepted by the Court of Directors in 1854 as a sacred duty. During the last four or five years the Government grant to education has been absolutely stationary. In 1891-92 it was Rx. 88,91,73; in 1894-95 it was Rx. 91,09,72, showing an increase of only two lakhs and 18 thousand rupees in four years. But even this increase was only an addition to the salaries of European officials in the Department in the shape of exchange compensation allowance, as may be seen from the fact that, while there was no charge for this allowance in 1891-92, in 1894-95 the compensation to educational officers was one lakh and 88 thousand rupees. Side by side with this might be noted another fact, viz, that during these same four years the Government expenditure on public education in Great Britain and Ireland increased from five millions to nearly nine millions sterling, and the contrast is too powerful to need any comments. One cannot help thinking that it is all the difference between children and step-children. There are more than 537 thousand towns and villages in India, with a total population of about 230 millions, and yet there are less than a hundred thousand public primary schools for them. The population of school-going age in India is about 35 millions, out of whom only about four millions, including those attending private or unaided schools, are under instruction, which means that out of every 100 children of school-going age 88 are growing up in darkness and ignorance, and consequent moral helplessness. Comment on these figures is really superfluous.

I may add that in 1888 the Government of Lord Dufferin issued a resolution which amounted to a virtual change of policy in the matter of education. Only four years before that Lord Ripon had issued a resolution, addressed to all Local Governments, urging them to increase their expenditure on education, and even offering assistance from the Imperial Exchequer, where absolutely necessary. In 1888, however, Lord Dufferin directed the Local Governments in express terms to gradually reduce the share contributed by Government to public education.

My friend, Mr. Wacha, has gone into this question in great detail, and I will only add one or two observations to what he has said. In the evidence already recorded by the Commission satisfaction is expressed in one or two places that in India the working expenses of railways form a smaller percentage of the total railway receipts than in England, and the conclusion seems to be drawn that Indian railways are constructed and worked more cheaply than English railways. I may, however, state that this lower percentage of working expenses is not peculiar to our railways only, but is, in fact, a necessary condition of all industrial undertakings in India. Labour with us is very cheap, while capital is very dear, so a much larger margin is necessary for profits, and a much smaller one suffices for the working expenses than is the case in England. The mere fact, therefore, that the working expenses of Indian Railways form a smaller percentage of the total receipts than they do in England does not in reality prove anything.

Meanwhile it may fairly be asked, if Indian railways are on the whole a profitable undertaking, why do English investors, with all their enterprise, almost invariably insist on a Government guarantee of interest in one form or another? There was an excuse for the first companies requiring such a guarantee. But after so many years' experience of Indian Railways, and after so many protestations, both from the existing Companies and from Government, that there is a great, a prosperous future for Indian Railways, it is astonishing to see that every new scheme proposes that all elements of risk and possible loss in it should be shifted on to the Indian tax-payer, securing an absolutely safe, clear percentage of profit for the English investor. So long as the Indian Government has to bear a net loss on Railway account, no matter from what cause, so long it is futile to represent the Indian Railway enterprise, whatever may be its other advantages, as a commercial success.

I have two suggestions to offer on this subject of Railways. The first is that the time has now come when the same restrictions that now exist on the outlay of public money on unproductive public works should be imposed in the case of these so-called productive works also; these restrictions being that in future all Government expenditure on these works, direct or indirect, should be out of surplus revenue only, and not out of borrowed money. A new programme, costing 28 crores of rupees, has just

Education.

Railways.

been announced, and a private letter which I received from India by the last mail says that it has been sanctioned in spite of the protest of the Finance Minister, Sir James Westland. When one remembers that the condition of Indian Finance is at present most depressed, that all really important lines have been already constructed, and that many most pressing needs of the country—such as education—receive no attention from the Government, on the ground of the poverty of its exchequer, one cannot help thinking bitterly of this reckless profusion of Government in the matter of railway construction, especially as the Indian people feel that this construction is undertaken principally in the interests of English commercial and moneyed classes, and that it assists in the further exploitation of our resources.

The second suggestion is that the Guaranteed Railways should be taken over by Government at the first opportunity in each case without exception. The waiver of the right to take over the E.I.P. Railway twenty years ago was very unfortunate. Apart from the loss entailed by the high guarantee, by the unfair manner of calculating the surplus profits, and by their calculation six-monthly, instead of yearly, there is another very deplorable loss which the Indian Exchequer must bear in the matter of these Guaranteed Railways. The shares of these Companies are at a high premium, and that is due in great measure to the Government guaranteeing a high rate of interest. The premium thus is to a considerable extent only artificial, and yet Government must pay it when it has to take over these railways.

*Famine Insurance
Fund*

All statistics on the subject of this Fund are already before the Commission. Of late years there has been a great deal of controversy as to the real object with which the Fund was created. I think the best evidence that I can offer on this point is to quote the following extract from the Report of a Parliamentary Committee, which examined in 1879 the subject of Public Works in India, and of which Lord George Hamilton was Chairman:—

“During the financial years 1877-78 and 1878-79 additional taxation was imposed in India in order to establish an Annual Famine Insurance Fund of £1,500,000. That amount was fixed with reference to the famine expenditure, which during the last six years had amounted to the enormous sum (excluding loss of revenue) of £14,487,827, of which a very large proportion had been met by borrowing.

“The object, therefore, of this Famine Insurance Fund was by increasing the revenue to avoid the constant additions to the debt of India which the prevention of periodical famines would entail, by either applying that increase of income to works likely to avert famine, and thus obviate famine expenditure, or by reducing annually debt contracted for famine, so that if famine expenditure should again become inevitable the reduction of debt made in years of prosperity would compensate for the liabilities incurred during scarcity.

This increase of taxation was sanctioned by the Secretary of State in Council, on this understanding.

“Last September the Home Authorities received a Despatch from the Indian Government adverting to the difficulty of discriminating between works strictly productive, and those only admissible as providing against the effect of famine, and proposing to accept a yearly maximum dead-weight charge, to be fixed, as experience may suggest, for works constructed as productive, whether under the existing strict conditions, or as now proposed, in order to prevent famine, or give protection from famine, or diminish the expenditure for the counteraction of famine, if it occurs. In other words, they would limit to a specific maximum amount the net expenditure for the interest on the capital cost of all such works and their maintenance, after setting off all the net income yielded by the works. In addition to the annual loss entailed by their net existing liabilities, they proposed to add an annual sum not to exceed 25 lakhs of rupees, and they thought that that amount might form a primary charge upon the Famine Insurance Fund on the consideration that the construction of any works not fully productive, according to the existing definition, which may be thus facilitated, will cause an equivalent reduction of the ultimate liability on account of famines when they occur.”

The first portion of this proposition had been already suggested by the Indian Government in 1876, and rejected by the Secretary of State in Council. The latter part of the suggestion by which it is proposed to permanently assign 25 lakhs of rupees of the Famine Insurance Fund, in order to raise money for the construction of famine works, not fully productive, is an entire inversion of the object for which the fund was raised. This increase of taxation was justified as necessary in order to meet, as

far as was possible, famine expenditure for the future out of income; but to immediately appropriate a portion of the income so raised to pay the interest of new loans was a proposal which, in the opinion of your Committee, the Secretary of State in Council had no option but to reject.

Lord George Hamilton is now Secretary of State for India, and, judging from a recent debate in the House of Commons, his Lordship seems to have forgotten what he wrote in 1879 as Chairman of that Parliamentary Committee. The Indian people, however, have a better memory.

I now come to a criticism of the Civil Departments of my Presidency, on which subject, I understand, the Commission would like to hear my views. I may mention that a very exhaustive memorial, criticising the working of these departments from the financial point of view, was submitted in 1886 by the Poona Sarvajanik Sabha, of which I was Hon. Secretary for seven years, to the Finance Committee appointed by Lord Dufferin. In so far as the situation has undergone no change, that criticism has only to be briefly repeated on this occasion. Where the situation is altered, I must modify our observations of ten years ago.

The total charge under this head in 1884-5 was about 12½ lakhs of rupees. In 1894-5 it was over 14½ lakhs. A large part of the increase is due to exchange compensation allowance. About half a lakh is due to the transfer of the charges of the Inspector-General of Jails, Registration, and Stamps, to this head. The increase in the Civil Secretariat is striking, being about 60,000 rupees. The expense of the staff and household of the Governor have also increased from 86,000 rupees to over one lakh. It has long been felt that the Bombay expenditure under both these heads is on an extravagant scale. In Madras they manage things much cheaper. Madras is a larger Presidency than Bombay, and yet, 1894-5, its Civil Secretariat expenditure was only 306,400 rupees, as against 414,000 rupees for Bombay. Similarly the staff and household expenditure in Madras in that year was 46,000 rupees, as against 107,000 rupees for Bombay. On this point I would suggest that the Staff and Household allowance in Bombay should be commuted into a lump-sum of about 60,000 rupees a year.

The intermediate supervising staff of Commissioners of Divisions also comes under this head. Its cost in 1894-5 was over 3½ lakhs. This item of expenditure is a very heavy and perfectly needless drain upon the revenues. This institution of the Commissioners introduces an unnecessary step between the district and the head quarters of Government, causes culpable delay in the speed of despatch of public business, and is opposed to the proper efficiency of the District Government. The Commissionership of the central division was, moreover, created twenty years ago in consequence of the pressure of famine, and it ought to have been abolished as soon as the pressure had disappeared.

The charges under this head are about 65 lakhs, and have for some years past been more or less steady. In the Presidency proper, there are 12 senior and 9 junior collectors, with 41 assistant collectors. There is besides a large number of supernumeraries. Then there are about 50 deputy collectors, and a large number of Mamlatdars, one for each Taluka. On an average, each district has one collector, two assistant collectors, one or two supernumeraries, and two deputy collectors, with a Mamlatdar for each Taluka. When the Revenue Department was first organised, the other departments of the State were not formed, and the Revenue officers were the only officers whom Government could regard as its principal executive officers. Collectors, therefore, found it almost impossible to conduct their duties efficiently, and their staff had to be strengthened by the addition of assistant collectors, but during the last few years, most of the other Departments have been fully organised, and each Department has now its special staff of administrative and executive officers. Under these altered circumstances, therefore, there no longer exists the necessity of maintaining the staff of assistant collectors under the district revenue officer, except so far as the necessary provision of training some few covenanted civilians for district work might require. For this purpose, one, instead of two or three—the present number of assistants—would be more than sufficient. This change, without affecting the efficiency in the slightest degree, will relieve the State of a needless and costly burden.

The district in India is the proper unit of administration, the collector being the chief representative of Government in the district. The present scheme of District Administration, however, is radically defective, and entails a large waste of public

*The Civil
Departments of
the Bombay
Presidency.*

*General
Administration.*

*Land Revenue
Administration*

money. The great multiplication of Central Departments, which has taken place in recent years, has, while imposing a heavy strain on the finances, considerably weakened the position of the collector, and the machinery of administration has, in consequence, become much more vexatious to the people than it was before. The great fault of the existing system is that the number of Inspecting, Controlling and Supervising officers is wholly out of all proportion to the number of real workers. Government, in all its departments, fixes the salaries of its officers high enough to show that it trusts these officers and expects from them efficient and conscientious work; but after showing this mark of confidence, it imposes check upon check, as if no officer could be trusted to do his duties. Perhaps such a state of things was inevitable in the early days of British rule, when everything had to be properly organised, and various administrative reforms had to be carried out. But now that things have settled themselves, and most of the work done is comparatively of a routine character, it is a sheer waste of public money to maintain such a system of checks and over-centralization. I have already spoken of the Divisional Commissioners, who are at present only a fifth wheel to the coach. In the North-West Provinces, Punjab and Bengal, there are, besides the Commissioners of Divisions, Revenue Boards of two or three members. This double or treble machinery serves no useful purpose beyond a nominal, but very often vexatious check. It may be admitted that some check is necessary, but too much check defeats itself by becoming either vexatious or nominal, or both. What is wanted is a check more real, by its being more on the spot. The district being a unit of administration, the collector's position should be that of the President of an Executive Board, consisting of his Revenue, Police, Forest, Public Works, Medical and Educational Assistants, sitting together each in charge of his own department, but taking counsel in larger matters with the heads of the other departments under the general advice of the Collector-President. To this official Board, the Chairman of the District and Municipal Boards may be joined as non-official representatives. These ten members, thus sitting together, and representing as many departments, would form the best check on each individual department. With such a self-adjusting, simple and effective system at work, the present complicated and less efficient system of check and over-centralization might be dispensed with to the great relief of the people, and of the finance of the Presidency.

Forest.

The expenditure under this head was Rs. 964,000 in 1891-2. In 1894-5, it was Rs. 1,034,000—an increase of Rs. 70,000 in three years. The increase was mainly due to exchange compensation allowance. The administrative charge in this Department is excessive. The salaries of the Conservators, Deputy Conservators, and Assistant Conservators, who, with the exception of one man, are all Europeans, amount to no less than $3\frac{1}{2}$ lakhs of rupees, or one-third of the whole expenditure. The Department, moreover, is working in a most unsatisfactory manner, causing immense discontent and irritation among the rural classes—a discontent gradually culminating in some parts in outbreaks of lawlessness. It also comes frequently into conflict with the Revenue Department. If the work be handed over to, and placed under the charge of, the Collector with a Forest Assistant, its operations will be much less vexatious to the people, the conflict between it and the Revenue Department would be avoided, and the arrangement would result in a saving to the State. The Forest Department is at present controlled by three Conservators, nineteen Deputy Conservators, and nine Assistant Conservators. There are besides about twenty extra Assistant Conservators. This excessively costly staff could now be reduced and replaced by much cheaper agency, if the suggestions made above were carried out. Moreover the work done by the lower paid establishment should be, as far as possible, handed over to the village officers, who would do it much more efficiently and cheaply, as a small increase in their existing remuneration would be deemed by them as adequate payment for the extra work.

Forest, Irrigation, and Agriculture are all at present separate Departments, each working in its own orbit, though they all are supposed to discharge duties practically allied to each other. The promotion of the agricultural industry of the country is the common object of all, but the Departments, being separate, work on their own lines—not always convergent to the main end; and there is necessarily a considerable waste of funds and effort. Even under the existing system, if these Departments were amalgamated, one supervising establishment would do where we now have three. The change will be attended with advantage to the agriculturists and relief to the finances of the country.

The charge under this head in 1894-5 was over 66 lakhs of rupees. In 1892-3, it was less than 51½ lakhs. The increase is chiefly due to the reorganisation scheme carried out in 1894 at an annual cost of over four lakhs for the Mofussil Police and about one lakh for the police of the Presidency town. As in the case of several other Departments, this Department is largely over-officered in the upperstaff. In 1884, the Inspector-Generalship of Police was created with a salary of Rs. 24,000 a year. The creation of this office was not favoured by the Government of India itself for a long time, but it yielded at last to the persistent pressure of the local Government. This needless centralisation, in addition to being expensive, has disturbed the harmony which previously prevailed in the district administration, when the District Police Officer was a direct subordinate of the Collector of the District. The Police Department has no policy of its own to carry out, and it may well remain directly under the Collector of each District. I may mention that men like Sir Barrow Ellis were strongly opposed to the creation of the Inspector-Generalship.

Police.

The superior staff has been constantly on the increase. In 1879, the number of District Superintendents and Assistant Superintendents was 22. In 1886-7 it was 30. It now stands at 38, all Europeans. There are besides about nine Probationers. The institution of the grade of police probationers has all along been regarded by the Indian public as a great scandal, and evidence was offered before the Public Service Commission that all the 13 Probationers that had till then been appointed were relatives of persons occupying high posts in the Administration—men who had failed in qualifying themselves for any other career.

But while the Superior Staff is excessive and too costly, the lowest grades in the Department—the class of Constables—require large improvement. A much better type of men must be attracted to the ranks by offering adequate inducement. It is no exaggeration to say that the Indian Police of the present day, outside the Presidency towns, are a thoroughly incompetent, unscrupulous, corrupt body, causing vast misery to the bulk of the people. They are often found to be themselves actively aiding and abetting crimes—especially crimes connected with property. Outside the Presidency towns there is no detective service worth mentioning. A large increase of expenditure is necessary if the Department is to be effective for protecting, and not harassing the general population.

Here, too a large increase of expenditure is necessary if Government desires to discharge its duties adequately by the people. The charge under the head of education at present is about twenty lakhs, of which three lakhs are consumed by direction and inspection. Our percentages are, no doubt, slightly better than those for the whole of India, but that is hardly a matter for congratulation, seeing that what is being done is almost as nothing compared with what ought to be done. So long as we have only 9,000 public primary schools for over 25,000 towns and villages, and about 80 children out of every 100 of school-going age are growing up in utter darkness, so long the educational policy of the Government will always be a reproach to it.

Education.

In this connection there is one point to which I am anxious to draw the particular attention of the Commission. That point is the absolutely inelastic character of the financial provision, which is made for primary education in rural areas. In these areas primary education is now entrusted to Local Boards, Government contenting itself with a grant-in-aid to these Boards of one-third the total expenditure. Now the only revenue that these Boards have at their disposal is the proceeds of the one-anna cess, and these proceeds are devoted in certain fixed proportions to primary education, sanitation, and roads. As our revenue settlements are for periods of thirty years, it follows that during these periods the proceeds of the one-anna cess must be more or less stationary—which means that the amount that Local Boards can devote to primary education, being a fixed proportion of those proceeds, must also remain more or less stationary during the currency of each period or settlement. And as Government will, as a rule, contribute only one-third of the whole expenditure, *i.e.*, one-half the amount spent by the Boards, it is clear that the resources that are available for the spread of primary education are entirely inelastic for long periods. I believe Sir James Peile had proposed, when he was Director of Public Instruction in Bombay, that local bodies should be empowered to levy special educational cesses, if they pleased. In the absence of Government finding more money for the education of the masses—a duty definitely accepted as a sacred trust—this seems to be the only possible solution of the difficulty.

15/11/28

Law and Justice.

The charge under this head in 1894-5, including the cost of jails, was 46 lakhs of rupees. Of this sum, the expenditure on the High Court came to about 6½ lakhs. It has long been a matter that a High Court is managed on a more extravagant scale than that of Madras, the expenses of the latter in 1894-5 being less than 5½ lakhs. The great item of difference is the expenditure of the original side, which in Bombay is about 2¼ lakhs, and in Madras not even one lakh. The Appellate side of the Bombay High Court, which does the Appellate work for the whole Presidency, is maintained at a cost of about one lakh of rupees only. The expensiveness of the High Court is, however, not due so much to the cost of the machinery employed as to the monopoly enjoyed by Solicitors and Barristers, whose fees represent a charge on litigation which is almost prohibitive. It is indeed high time that the system of the Civil and Criminal Administration of justice in Bombay was improved so as to render it less costly. The Finance Committee of 1886 made certain proposals about reducing the cost of the Bombay High Court, some of which have not yet been carried out. The Clerk of the Insolvency Court still continues to receive fees amounting to nearly the salary of a puisne Judge, for only nominal work.

The Judicial Department is specially a department for high posts, in which the qualifications of Natives have been repeatedly recognized. And yet among all the District and Sessions Judges of the Presidency, there is not to be found a single Native except M. Tagore, who, however, got in by passing the competitive examination in English. The Public Service Commission recommended that one-third of the District and Sessions Judgeships should be set apart for Natives. No effect, however, has yet been given in practice to that recommendation.

The question of the separation of Judicial and Executive functions comes under Law and Justice. It is contended on behalf of Government that such separation would entail extra expenditure of something like half-a-crore of rupees for the whole of India. Now, in the first place, this appears to be simply an over-estimate. Assuming, however, that the additional cost would be as high as that, it is much less than what was given to the European Services by one stroke of the pen in 1893—I mean the Exchange Compensation Allowance.

This year, in certain famine areas, sub-Judges are entrusted with criminal work also to the relief of revenue officers, and the experiment so far has succeeded very well. A similar experiment was tried during the famine of 1877 with equally satisfactory results.

The Stipendiary sub-Judges and sub-Magistrates may with advantage be relieved of a portion of their lighter work, by the appointment of Honorary Magistrates and Arbitration Courts. Honorary Magistrates have already been appointed in the larger towns, but benches of such Magistrates may be constituted in Taluka towns with great advantage to the Government and the people. Further, the caste and trade Panchayats may be utilized for the purposes of settling Civil disputes. There has already been a reform in the manner of disposing of petty cases, and Arbitration Courts have been reorganized as cheap and efficient institutions for the administration of justice in small cases. If the same principle be extended to the Courts of subordinate judges, and if Civil juries are associated with sub-Judges in the disposal of suits involving larger amounts of money, as also in deciding questions regarding rights and customs, ample relief will be afforded to the superior Courts, which may ultimately enable considerable economies to be effected.

Public Works Department.

The expenditure under this head, including Provincialized Railways and Irrigation and Civil Works, was about 35 lakhs of rupees in 1894-5, out of which about one-third was for establishment. The first two items came to a little over one lakh, and the rest was for Civil Works. Except in Sind, we have no irrigation worth speaking of, and I think it would be a great advantage if the construction of storage tanks and wells in areas where the rainfall is uncertain were undertaken by Government on a large scale and in a systematic manner. As regards the Civil Works outlay, it is noticeable that the highly paid machinery of Executive Engineers, etc., is still kept up in all the Districts, though in several of them the expenditure on Civil Works from the Provincial revenues does not exceed a mere trifle, and the works required by the Local funds are of a sort that far lower establishments can safely undertake. The reduction in the Executive Engineer's charges appears to be urgently called for.

Monopoly of all Higher Offices by Europeans.

Similar criticism might be offered about the remaining departments, but I have no wish to weary the Commission with further observations of the kind. But there is one great evil common to all the Departments, and a few words on that may be allowed.

This evil is the practical monopoly of all the higher posts by Europeans. The following analysis of the Civil List for the Bombay Presidency for January, 1897, will make my meaning clear :—

COVENANTED CIVIL SERVANTS, or, as they are now called, Civil Servants of India. The total number of these Civil Servants, attached to Bombay at present, is 156, out of whom only five are Indians, these five having entered by the competitive door in England. There are, besides, eight statutory Indian Civilians. The Members of Council, the High Court Civilian Judges, the Commissioners of Divisions, the Secretaries to Government, the Senior Collectors are all Europeans. There is one native among the District and Session Judges, and one Acting Junior Collector among Junior Collectors.

CITY MAGISTRATES.—There are 4 City Magistrateships, two on Rs. 800 a month, and two on Rs. 500 a month. The two former are held by Europeans (not covenanted), the two latter by natives.

LAND RECORDS AND AGRICULTURE.—There are 6 posts in this Department, with a salary of over Rs. 400 a month. They are all held by Europeans.

FOREST DEPARTMENT.—There are 29 posts in this Department, with salaries ranging between Rs. 400 a month to Rs. 1,600 a month. They are all held by Europeans. There are nine Europeans even below Rs. 400 a month.

SALT.—There are 12 posts with salaries ranging between Rs. 400 to Rs. 1,130 a month. Only one of these is held by an Indian.

POST.—The Postmaster-General is a Civilian. There are 11 posts under him, with salaries above Rs. 400, out of which seven are held by Europeans.

TELEGRAPH.—There are 12 posts in this Department, with salaries ranging between 400 and 1,000 rupees, and they are all held by Europeans. There are, moreover, 40 posts between Rs. 100 and Rs. 400 a month. Of these, also, 36 are held by Europeans.

REVENUE SURVEY.—There are 10 posts in this Department, with salaries above Rs. 400. They are all held by Europeans.

ACCOUNTANT-GENERAL'S DEPARTMENT.—The Accountant-General and Deputy Accountant-General are civilians. There are 5 posts under them, with salaries ranging between 400 and 1,000 rupees, 4 of which are held by Europeans.

HIGH COURT JUDGES.—Out of 7 Judges, 2 are Natives.

GOVERNMENT LAW OFFICERS.—There are 7 Government Law Officers, of whom 6 are Europeans. Four of these get Rs. 2,000 a month and above, one gets Rs. 1,000, and the sixth man gets Rs. 250. There is only one native among these, who is paid Rs. 300 a month.

OFFICERS OF THE HIGH COURT.—There are 14 officers, with salaries ranging between 400 and 2,500 rupees a month. Of these 6 are Natives.

PRISON DEPARTMENT.—The Inspector-General draws Rs. 2,000 a month, and there are under him 11 officers receiving Rs. 350 to Rs. 1,200 a month. They are all Europeans.

CANTONMENT MAGISTRATES.—There are 11 such Magistrates, with salaries ranging from Rs. 100 to Rs. 1,250 a month. They are all Europeans.

POLICE.—There are 54 officers in this Department, with salaries ranging between Rs. 250 and Rs. 1,800 a month. Of these only 3 are Natives, and they are all drawing Rs. 250 a month. There are, moreover, 5 officers in charge of Railway Police. They are all Europeans, and draw salaries ranging between Rs. 350 and Rs. 1,000 a month.

EDUCATION.—The Director is paid Rs. 2,500 a month, and under him there are 45 officers receiving between Rs. 400 and Rs. 1,500 a month. Of these only 10 are Natives, and with one exception, they get either 400 or 500 a month—the one gentleman mentioned as an exception is a Native Christian, and draws 633 rupees a month.

ECCLESIASTICAL.—There are 31 paid officers in this Department. They draw between Rs. 400 and Rs. 800 a month, and are of course all Europeans.

MEDICAL.—The Surgeon-General draws Rs. 2,500 a month, and there are under him 59 officers drawing salaries between 400 and 1,600 rupees a month. Out of these only 4 are Natives.

SANITARY.—There are 7 posts in this Department, with salaries between Rs. 400 and Rs. 1,200 a month. They are all held by Europeans.

POLITICAL.—There are 66 officers in this Department, drawing salaries ranging between Rs. 400 and Rs. 3,500 a month. Only two of these are Natives, one of them drawing Rs. 400 and the other Rs. 450 only.

PUBLIC WORKS.—There are 83 officers in this Department, drawing salaries between Rs. 250 and Rs. 2,500 a month. Of these 23 are Natives.

The Subordinate Judgeships and Deputy Collectorships are the only branches of the public Service which are free from this practical monopoly by European officers.

Apportionment of Charge.

APPORTIONMENT OF CHARGE BETWEEN ENGLAND AND INDIA.

On the narrower ground which the Government of India have chosen to occupy in this matter, they have, I think, stated the case for India very effectively. I agree, however, with Mr. Dadabhai Naoroji and Mr. Wacha in thinking that the field, in respect of which equitable apportionment is necessary, is much wider than that. I will add a few observations to explain my meaning:—

(1)—*The India Office Charges.*

These stand at about £273,000, and ought to be borne by England, or at least divided half and half between England and India. The Secretary of State for India, as a member of the Imperial Cabinet, represents the Imperial Executive, and discharges the Imperial function of general controlling supervision in respect of Indian administration just as the Secretary of State for the Colonies does for the Colonial Governments. The salary of the Colonial Secretary, together with his office charges, is borne on the Imperial Estimates. In strict justice, therefore, the India Office ought to form part of the Imperial Establishments and paid out of the Imperial Exchequer. I am, however, aware that it is urged on the other side that, under present arrangements, the India Office has to do much directive and executive work in regard to Indian administration which the Colonial Office is not called upon to do, and I should, therefore, be satisfied if the charges were divided half and half between India and England.

(2)—*Army Charges due to recent additions.*

These increases were due to the panic caused by the Penjdeh incident, and were alleged to be necessary for the better protection of the North-West frontier. Upper Burmah was, however, subsequently annexed, British Beluchistan was organised, various frontier enterprises carried out, and almost the entire increased strength has been thus absorbed in these newly conquered territories—a fact that shows that they were not really required for purposes of the defence of the North-West frontier.

Similar temporary additions were made at the same time to the Imperial garrisons in other parts of the Empire in view of an imminent conflict with Russia, Mr. Gladstone obtaining a large vote of credit for this purpose, but as soon as the emergency passed away, the garrisons were reduced. Only in India was the increased strength maintained.

These additions were in excess of the maximum defence requirements of the country as defined by the Army Commission of 1879 in view of frontier and other contingencies—even Russia and Afghanistan making common cause.

The additions were protested against when made by two members of the Vice-regal Council, including the Financial Minister, who urged that in the first place they were not necessary, but that, secondly, if they were wanted, that was for purposes of the Imperial policy, and the Imperial treasury should pay for them.

This increased force, therefore, of 30,000 troops forms no part of our Indian army proper, but is an Imperial garrison and serves as an Imperial Reserve, and the cost of it ought to be an Imperial charge.

(3)—*Our Ordinary Debt.*

Our ordinary debt as distinguished from our Public Works debt stands at present at 68 crores.

This portion of our debt would not have until now remained undischarged but for charges unjustly imposed upon us in the past in respect of various wars and expeditions in promotion of Imperial schemes of territorial expansion.

	Cost in Crores.
First Burmese War (1823)	13
First Afghan War (1838-42)	15
Abyssinian War	6
Second Afghan War:—	
Total Cost'	22 Crores.
Minus Imperial Contribution	5 Crores.
	17
Egyptian War	1'2
	<u>46'8</u>

Add to this 67'8 crores thrown upon India since 1885, in pursuance of an Imperial policy, as shown in the following Table:—

Frontier Expenditure since 1885.	Aggregate Charge during the Period in Crores.	Permanent Annual Charge in Crores
Military Roads	1'250	..
*Strategic Railways	14'000	600
Special Defence Works	4'630	..
Army Increases (including Beluchistan Garrison)	22'000	3'900
Frontier Extension:—		
1. Upper Burmah	14'920	925
2. British Beluchistan ... ..	..	086
3. The Gilghit Agency and Protectorate (including Chitral)		220
4. Somali Coast		012
5. The Afghan Protectorate ...	...	180
Cost of Expeditions, &c. (exclusive of Burmah)	8'240	...
Political Expenditure	2'838	457
Total in Crores ...	67'878	6'380

* The charge is met from capital and not from current revenue.

We thus get a total of 114'6 crores of rupees, unjustly imposed by the Imperial Government on us in furtherance of its own policy. If even half the sum were refunded to us, our ordinary debt will practically disappear.

I would mention in this connection that we have paid every shilling of the cost of British Conquest, including even the cost of the suppression of the Mutiny (which was close on 50 crores); England contributing absolutely nothing in aid of all this expenditure, though her responsibility for the latter event was possibly greater than ours, in consequence of the withdrawal of European regiments from the country, despite the protest of the Government of India for service in the Crimea and Persia.

England has paid such charges for Imperial Conquest or settlement in respect of her Colonies. She has even paid the cost of the suppression of the insurrection in Canada (1838-43) out of Imperial Revenues. Nor has she ever called upon her Colonies—not even the Cape—to undertake Imperial wars or to contribute towards their charge.

UPPER BURMAH lies beyond the Indian frontier, and we have had no interest in its conquest and annexation except as a province to be held and administered as an Imperial trust. The conquest was effected in furtherance of Imperial policy and the commercial interests of the Empire, and no special Indian interest was ever here at stake.

British Beluchistan and the Gilghit Protectorate are beyond the line of our impregnable defences, and India has no concern with them except as Imperial charges.

These are new conquests, and as years pass by will require large expenditure for purposes of administrative improvement and material development. And it is suggested that they be taken off our hands—as Ceylon, St. Helena, and the Straits Settlements were in a former day—and be directly administered as appanages of the Crown.

Bechuanaland (South Africa) is administered as a Crown Colony, and is not thrust on the hands of the Cape.

Political Expenditure beyond the Frontier.

This is properly Foreign Office Expenditure as connected with the general foreign relations of the Empire. Foreign policy and control of foreign relations are Imperial functions, and charges in connection therewith, in whatever part of the Empire, ought to be borne on the Imperial Estimates.

India has no interests whatever beyond her territorial borders, and has only to maintain peace and order on her own side of the frontier. The Indus, the desert, and the Himalayan Wall are impregnable lines of defence on the North-West, behind which she can remain in perfect security.

All such expenditure, therefore, as is represented by the subsidies to the Amir and other tribal chiefs, and other like charges, is strictly Imperial in furtherance of Imperial interests in mid-Asia.

THE IRREDUCIBLE MINIMUM OF EUROPEANS. Lastly, if England thinks that a certain number of European officers and a certain strength of the European Army *must* always be maintained in India, she must be prepared to pay a fair share of the cost thrown on India for the purpose, the maintenance of British Supremacy in India being a matter affecting the most vital interests of England.

4.—EVIDENCE-IN-CHIEF OF MR. G. SUBRAMANIA IYER.

MAY 13th and 21st, 1897.

IN the "administration and management" of expenditure in India, and in the results of that administration on its financial and economical condition, the following chief points deserve consideration. To these I refer in detail further on.

Introduction.

1. There are no provisions in the constitution of the Government of India to protect the taxpayers sufficiently against unnecessary and excessive growth of expenditure. What exist at present are inadequate or ineffective. The debate in the House of Commons, the Secretary of State and his Council, Section 55 of the Government of India Act, the Government of India and its Legislative Council, the system of provincial finance, are all parts of the machinery which have more or less failed to impose an adequate check on the growth of expenditure.

2. In consequence, the expenditure of the Government of India, in its Military Department, has grown* considerably within the last twelve years, and there is no certainty that in the coming years this expenditure will not grow. A forward military policy has led to constant frontier expeditions,† which have been very costly, and have necessarily crippled the resources of the Empire.

3. The expenditure ‡ in the Civil Departments has also grown, a chief feature of this growth being that the expenditure on services which are of direct benefit to the people, such as Education, Post Office, Medical Service, Police, Roads, &c., shows but a moderate increase.§

* Net expenditure, including exchange	{	1885-86 Rx. 19,133,907.
		1894-95 Rx. 23,303,761.
Net expenditure, excluding exchange	{	1885-86 Rx. 18,692,977.
		1894-95 Rx. 18,830,900.

† Between 1885-86 and 1894-95, excluding charges on account of Upper Burma, the total cost of special operations was no less than Rx. 4,925,877 (p. 84, Vol. II). If the estimate in 1895-96 of Rx. 318,900 and Rx. 1,750,000 for the Chitral Expedition be added, the accumulated cost in twelve years would be Rx. 7,153,696.

‡ Civil Departments (1884-85 and 1894-95). The total net increase is Rx. 5,517,276, of which Imperial share is Rx. 1,951,078, Provincial Rx. 3,566,198 (*Vide*, p. 86, Vol. II.)

§ Para. 31. (b) In other directions, too, there has been an increase. Direct demands on Revenue, Salaries, &c., of Civil Departments (p. 102, Vol. II) Charge for Interest (p. 67, Vol. II)

4. These increases have led to fresh taxation* amounting to over seven crores, not including the increase in the assessments of land revenue.

5. Owing to excessive expenditure, the Government has been obliged to enhance the burden on the cultivating classes. The assessment of land revenue is being increased at each revision, which it is now proposed, at all events in my province, to undertake and carry out at shorter intervals than has been the case till now. The duration of assessment used to be till now thirty years. But Lord Wenlock's Government proposed that it should be reduced to twenty years.

6. † Years of a deficit in the financial estimates are frequent, and even the surplus that is now and again exhibited is not a real surplus, being in many cases arrived at by cutting down grants in one direction and suspending the normal growth of expenditure in others, or by borrowing. It is significant that Sir David Barbour more than once spoke of "an apparent financial prosperity."

7. ‡ The debt of the Government has increased, especially the sterling debt. The present famine has made the Secretary of State propose a loan of 3½ millions sterling, besides the four crores which the Government of India proposes to raise. The fact that no Sinking Fund can be provided, and that the amount of interest payable every year should necessarily rise, ought to weigh against an endless accumulation of debts. Unlike other countries the indebtedness of India involves payment of large amounts to persons who are not natives of the country, and the foreign payments constitute a serious economical and political evil. The recent conversions have reduced the interest on the rupee debt; but this cannot be had recourse to frequently, it will shake public confidence in Government investments. I understood Mr. Stephen Jacob to say in his evidence that there has been a saving of one per cent., or £2,200,000, in interest, and though, so far as it concerns the taxpayer, this saving rather more than counterbalances the increased payment due to the fall in exchange, still, in consequence of the fall in exchange India cannot enjoy the benefit of this saving.

8. Yet, in spite of these discouraging circumstances, railway construction is being pushed forward with great energy, and the speed of the progress is such that it has caused general disapproval, which was given expression to last year, and in this year by certain non-official members of the Viceroy's Legislative Council.

9. The Famine Insurance Fund,§ which was created for the special purpose of

* Between 1884-85 and 1894-95 (Statist Abst)

	Customs. Rx.	Assessed Taxes Rx.
1884-85	1,029,943	511,828
1894-95	3,854,955	1,808,060
Increase	<u>2,825,012</u>	<u>1,296,232</u>
	Salt.	Provincial Rates.
1884-85	6,507,236	2,791,461
1894-95	8,665,749	3,541,154
Increase	<u>2,158,513</u>	<u>749,693</u>
Total Increase	Rx <u>7,029,450</u>	

† Vide Statistical Abstract, p 296. Between 1849-50 and 1894-95 there were 23 years of surplus and 23 years of deficit.

The total surplus	31·58 millions Rx.
The total deficit	69·20 millions Rx
Net deficit	<u>37·62</u> millions Rx.

‡ RUPEE DEBT.

1884-85	93,183,660 Rx.
1894-95	104,373,740 Rx

STERLING DEBT

1884-85	£69,271	} Including Railways, Irrigation, and other purposes
1894-95	£114,005,826	

§ For Figures see page 314, Vol. I. The average, including the year 1896-97, is Rx 1,165,261.

undertaking measures to protect the people against famine, has not been provided for every year; and during the last three years it has been reduced permanently to one million Rs. from 1½ millions, which it was in theory. Sir James Westland's explanation is that all the important and protective works have been carried out, and there is no longer need for the same amount of 1½ millions being spent. If that were the case, either taxation should be remitted, or there must be more money spent for the benefit of the poorer classes.

10. In the face of almost a crushing embarrassment, the Government of India in 1893 decided on giving compensation allowance to its European employes. In that year the amount was 63 lakhs odd, and in subsequent years it amounted to more than a crore. The Government was unmindful of the fact that its European employes were not legally entitled to that compensation, and that the taxpayers, from whose pocket the amount of the compensation must come, were affected far more injuriously in several ways than these high-paid officials. Any consideration from the State was due to the weaker party.

11. There is a great drain of money from India to England by the excessive employment of foreign agency, not only in the various branches of the public service, but also in the administration of railways. Every foreign enterprise in the country is a source of drain. This drain, mainly along with other causes, is steadily impoverishing large classes of people, and bringing to the surface the most serious problem of a large pauper population. I shall make only one quotation from a Government resolution in 1888.*

"It may be briefly stated that, over the greater part of India, the condition of the lower classes of the agricultural population is not one which need cause any *great anxiety at present*. The circumstances of these classes are such as to secure in *normal seasons physical efficiency for the performance of agricultural work*,† though in the tracts classed as 'insecure' there is always a risk in the event of a failure of the rains, that the more indigent classes of the people may be overtaken by distress in various degrees and forms, and be deprived of wages ordinarily provided by the agricultural operations on which, in normal seasons, they depend for their livelihood. There is evidence to show that in all parts of India there is a numerous population which lives from hand to mouth, is always in debt owing to reckless expenditure on marriages and other ceremonies, and in consequence of this indebtedness, and of the fact that their creditors, the middlemen, intercept a large portion of the profits of agriculture, does not save, and has little or nothing to fall back upon in bad seasons. Nevertheless, in the majority of cases, there is no sufficient cause for the direct interference of Government." This is the best that the Government could say. But the reality is much worse.

12. The general tendency to increase the expenditure should be controlled by giving to the representatives of the taxpayers in the various Legislative Councils a more direct and substantial voice in the legislation as it affects the finance, as well as other things.

13. The system of Provincial Finance, as it is now worked, does not altogether fulfil the object which it is designed to fulfil, and should be further developed.

I said, above, that the checks on the administration of expenditure provided in the constitution of the Government have proved mostly to be ineffectual. But it is patent that there should be checks which are fully effectual, and either those that already exist should be improved or new ones should be provided. The President of this Commission himself observed in the course of its proceedings:—"One great difficulty, of course, is, that you have in India always a present danger, namely, the constant emergencies that occur, such as famine, which make it more desirable that in a country like this, that the financial situation of the country should be kept essentially safe. I mean by that, there should be, as far as possible, a good surplus maintained against such emergencies. The general tendency of the administration, unless it is very much checked, is to work expenditure up almost to the limit of the revenue"—an observation in which Sir Auckland Colvin expressed concurrence. This very much checking is

*Administrative
Machinery:—
Existing
Provisions against
Excessive Growth
of Expenditure.*

* See 1892 Return

† As if the lot of the Indian people is to work and die like brutes, and they have no right to a gradual and steady improvement in their standard of living, as the result of the settled and benevolent Government they live under

Parliament.

*The Secretary of
State and his
Council.*

sadly wanting. The existing safeguards may be taken thus:—There is, first, the British Parliament, which is finally responsible for the good government of India. But this responsibility it considers to be satisfactorily discharged by an annual debate on the Indian Budget. We all know how ineffectual this debate is. As a rule, it takes place long after the period to which the Budget under discussion refers is closed; it comes at the end of the Session, when Members of Parliament, after the wearying exertion of a busy Session, are anxious to get away; and, as a fact, only a handful of Members remain in the House to listen to the Secretary of State's exposition of the financial statement; and it cannot be said that all the Members present possess a sufficient knowledge of Indian affairs or take an earnest interest in the subject of the debate. Parliament takes its responsibility easily, and leaves the Indian Minister virtually uncontrolled. The Indian Minister, who is the link between the Government of India and Parliament, rarely possesses any knowledge of Indian affairs; on the other hand, a knowledge of Indian affairs is strangely regarded as a disqualification. The Indian Secretary, who is a member of the Cabinet, takes as much interest in British politics as in the affairs of the country over whose destiny he presides for the time being. The influence of the India Office on the financial administration of India has not been always in favour of economy. It is not so, as Sir Auckland Colvin pointed out in the question of the railway development, the India Office is powerless when the Secretary of State, acting in concert with his colleagues in the British Cabinet, chooses to over-rule his Council. He is apt to err, from the Indian point of view, from choice or from ignorance. He is assisted by a Council of which the members are supposed to be chosen for their special knowledge of India. But, in most cases, this special knowledge is antiquated. Things change rapidly in India, and it is exceedingly desirable that Members of the Council should vacate their appointments after a shorter period than ten years, and men who are in touch with the existing state of things should be appointed as members. The Secretary of State often looks at Indian questions through British politics, and this circumstance often makes him a biased authority, preferring British interests to those of India. His decision in regard to cotton duties, the cost of the Indian contingent to Suakim, and in the occupation of Chitral, was viewed by the Indian public in this light.

*Section 55 of the
Government of
India Act.*

Section 55 of the Government of India Act was designed to operate as a check on the Secretary of State and his colleagues in the British Cabinet, when they may decide on using the Indian revenues in the execution of military enterprises for the advancement of British interests. But the highest authorities have admitted that it has entirely failed to produce this effect. The same effective check is necessary, because, looking into the figures during the last decade, I am inclined to agree with Sir William Wedderburn in thinking that the real check that is wanted is not so much upon the Provincial Governments or even upon the Government of India as upon the Secretary of State, who is subject to no check practically when he sanctions one frontier expedition after another, and incurs big expenditures out of the Indian revenues.

*The Viceroy's
Council.*

Sir Auckland Colvin said:—In a country where the taxpayer is an alien, and is not able to make his voice directly heard, the need of giving close attention to economy in administration is greater than it would otherwise be. The idea is no doubt excellent, but in the actual business of a Government conducted by a foreign agency over a dependent people, such pious intentions are of no use, nor do I think it practicable to give to the Finance Member of the Government of India more power than he now possesses, or to make the Secretary of State and his Council the protecting angel of the Finance Minister against his colleagues jointly or individually. If he get the support of the Secretary of State it would be indeed a strength to him. The best way to strengthen the hands of the Finance Minister is, however, to give him an opportunity of pointing to Indian public opinion as constitutionally expressed in the Indian Councils in support of his own views. The reform which was introduced in the constitution and powers of our Legislative Councils by the Parliamentary Act of 1892 should be carried further, and the members of the Council should be empowered to vote on the different items in the Budget. There should be also more scope for interpellation in these bodies. The present rules should be modified so as to give to the non-official members a wider discretion in asking questions. Often the interpellating member is shut out by the arbitrary decision of the Viceroy, or the head of the provincial Governments, by ruling the question to be inadmissible. Sometimes complaints are made that unofficial members put too many questions, but it must be remembered that India is a vast

*The Finance
Member.*

*Legislative
Councils to Vote on
the Budget.*

Interpellation.

Empire, and the Legislative Council meets not more than half-a-dozen times throughout the whole year. I am not sure that the questions put in the Governor-General's Legislative Council for a whole year are so numerous as those put in the House of Commons in a month. The Government should show greater disposition to consult public bodies and individuals. Lord Ripon, when he was Viceroy, issued a Resolution to this effect, but I believe that since his time the matter has been forgotten. The present Viceroy, in his last tour did not encourage unofficial representations to him on public questions. There is a tendency, I apprehend, to neglect, not merely unofficial public opinion, but subordinate Governments also. The Government of my Presidency has often suffered for the fault of its being far away from the seat of the Central Government. Sir James Westland recently apologised to Madras for not sending his financial statement to that Presidency in advance as he sent to Bombay. After the publication of the Financial Statement sufficient time should be allowed before the debate so that members of the Council might have sufficient time to master the details of the statement, and produce a useful and effective criticism. There would then be time for public criticism also, and the non-official members would be in a position to consult their respective constituents. Sir James Westland's explanation of the circumstances which rendered the present arrangement necessary, illustrates the frequent disregard of public opinion by the Government in India. He said: "Nineteenth (of March) is about the earliest we can present it (the Financial Statement), and this year it was nearly the latest also; if we were to postpone it for a few days longer it would cause considerable inconvenience to this Council, as the Council, according to the usual arrangements, dissolves before the end of March." These official gentlemen going to Simla is more important than an adequate consideration of the finance of the Empire.

*Consulting Public
Opinion.*

The discussion of the Provincial Budget in the Provincial Councils is useless, because all the allotments are submitted to the Government of India, who have to approve of them, and the members of the Council can only pass an academical criticism, to be mostly disregarded by the Government.

*Discussion of
Provincial Budgets*

I think it is worthy of consideration by the Commission whether the Governor-General, who is the President of the Council, should be entrusted with the control of any particular Department. His function should be to exercise wholesome and judicial control over all the Departments. His position should give him no interest in the expansion of any particular Department. The Viceroy is in charge of the Foreign Department, which has a very large political area beyond the Indus, which causes very considerable expenditure. Sir Auckland Colvin's remarks in this connection are relevant. He said:—"I think again that with all its advantages the decentralisation scheme has weakened the Financial Members' power a good deal indirectly, by throwing the balance of the Viceroy's interest into a class of questions in which he has more direct concern, and over which he has now exclusive control, such as the public works, military and foreign matters. The Provincial Governments, since the decentralisation scheme was introduced and elaborated, have taken the internal administration of India from off the shoulders of the Council, and of the Viceroy as representing the Government, in a degree which before was never dreamed of. The result is, I think, that the internal affairs of India occupy less the attention of the Viceroy than the external, which are costly. I am not speaking of the rightness or the wrongness of it. The Public Works as well as the military engage his time, and engage his attention in a far greater degree." Since 1885, it is the common belief that military considerations have received greater weight in the decisions of the Government than financial, and questions connected with them have pushed into the background questions of internal improvement. Military affairs and the difficulties of falling Exchange have divided the Government's attention, and for some time past the Famine has engrossed the energy of the Government, as well as of the officials. Lord Elgin expressed his regret at a recent meeting of his Legislative Council, that he had not been able to devote attention to the all-important question of the material condition of the people. In illustration of the fact of the Government of India not being able to give sufficient attention to internal affairs, I can mention several other instances. The organisation of an agricultural department has been in the preliminary stage for the last twenty-five years. Lord Dufferin had his attention drawn to the encouragement of technical education, and a "note" upon that subject was published in the Home Department. The subject has apparently been forgotten since then. In a resolution dated December, 1887, the Government directed an analysis of agricultural tracts should be gradually set on foot,

*The position of the
Governor General
in the Executive
Council.*

*Government of
India neglecting
internal affairs.*

with the view, firstly, of ascertaining in what parts of the Empire the agricultural population and the lower classes of the people are suffering from an insufficiency of food or agricultural capital; secondly, of discovering the causes of any conditions of degradation which might be found to exist; and, lastly, of suggesting or providing such remedies as might be found necessary or desirable. In pursuance of this plan, Lord Dufferin had an inquiry instituted in 1888, which he himself characterised as of a "cursory and incomplete character." So far as the public are aware, this inquiry has not been followed up by one deeper and more thorough.

Remedies I suggest

Before proceeding to express my views on the subject of the system of Provincial Finance, which is an important wheel in our financial machinery, I shall point out my remedies thus far.

1. There can be no doubt that one way of strengthening the financial position of India would be, as Sir Auckland Colvin says, in some way without undue interference with the authority of the Government of India, to establish a control emanating from what theoretically is at present the last Court of Appeal—Parliament. A Committee of the members of Parliament, such as Sir William Wedderburn has suggested, to scrutinise the financial statement every year, and to submit a report to the House of Commons before the financial statement is brought up for discussion, would in some measure secure this end. The Committee would of course pay due attention to the opinions of the non-official members expressed in the Legislative Council of the Viceroy.

2. It came out fully in the evidence before the Commission that the present system by which disputes regarding the apportionment of certain charges between the two Governments are kept up for years, and finally decided to the satisfaction of neither party, should be put an end to. It has been suggested that the principles which should be the general basis of apportionment should be laid down in a Treasury Minute, and that the application of these principles to given instances where the two Governments might not agree, should be left to an arbitrator or a body of arbitrators chosen by both the Governments. This suggestion commended itself to the Marquess of Ripon and the Marquess of Lansdowne, and I believe will commend itself to the Indian public. In case this suggestion is adopted, Section 55 of the Government of India Act might be left as it is.

3. I have already pointed out the importance of the members of the Secretary of State's Council being men in touch with the actual financial conditions of the day in India. To secure this end, the present system of appointing them for ten years and keeping them on for a further period if the Secretary of State chooses, should be abolished. This term of office should extend only to five years like the members of the Government of India and the Provincial Governors.

Among the members of the Council there should always be one Indian at least possessing necessary qualifications and not necessarily an official. He would take care to put before the Secretary of State the Indian view.

4. Coming to the constitution of the Government of India in India I have already pointed out the desirability of the Governor-General being divested of control over any particular Department, so that he may have more time than he has at present to attend to internal affairs of the country, which, unfortunately, do not receive the same attention that they used to receive in years previous to 1885.

5. The members of the Governor-General's Legislative Council should be empowered to vote on the Budget, although any decision adverse to the Government of India may be overruled by the President. There should be given greater scope for interpellation; and whenever any measure of legislation affecting finance is in contemplation, the views of public bodies should be obtained beforehand as far as possible.

Provincial Finance

There is no more important question than the system of Provincial Finance in considering the means by which the growing expenditure of the Indian Government can be brought under salutary control. I would commend to the Commission a perusal of the debate in the Viceroy's Legislative Council on the last Financial Statement. There the question is fully discussed. Sir James Westland, pleading with all his ability and knowledge for the Central Government, and the Lieutenant-Governor of Bengal, supported by several non-official members, more notably by the Honourable Mr. R. M. Sayani, urging with great effect the side of the Provincial Governments. The two sides approach the question from opposite points of view. Sir James Westland's opinion is as follows: "The Revenues of India are the

Revenues of the Government of India, a constitutional possession. The Government of India is a body created by Act of Parliament, and if reference is made to that Act of Parliament it will be seen that the Revenues of India are the revenues of the Government of India and of that Government alone. Every action that the Local Governments take in respect of them must be justified by a specific order of the Government of India, and apart from that Government they exercise no financial powers whatever." The other point of view is well put in the following words of Sir Charles Elliott, which Sir Alexander Mackenzie, the Lieutenant-Governor of Bengal, quoted with qualified approval. Sir Charles Elliott strongly urged a modification of the present system, "so that the contract should be a continuing one, not subject to sudden ruptures and renewals, but that its leading principle should be that all the revenues of the Province should be Provincial, the Government of India receiving a certain percentage on the entire sum, which should be the contribution of the Province to Imperial Government and defence." He also represented "the unreasonableness and the hardship of requiring every Province to give up a constantly increasing share of its revenues whenever a new contract is framed." Sir Alexander Mackenzie also quoted Sir David Barbour's opinion, as was expressed before this Commission, and added that the present system could not last long. He suggested that "the Government of India should, with the consent of the Secretary of State, refer the whole question to a conference, at which the Provincial Governments should be adequately represented, and endeavour to lay down the lines of a system which would be satisfactory to the Provincial Governments, while meeting fairly the undoubted exigencies of Imperial Finance." He characterised the existing system as one "which, with all its admitted advantages of diminishing Imperial interference in petty details, leads to so much quinquennial bickering and heart-burning, and involves so much uncertainty and haphazard in Provincial administration." "In framing it and working it, successive Finance Ministers and Secretaries of State have simply dictated their own views without giving Local Governments an opportunity of being heard, except as to details after principles had been laid down authoritatively, I had almost said despotically. If the policy of the present day is still one of decent decentralization in legislation and finance, let us for any sake devise a workable scheme. As matters stand, the Provincial Government is bound to justify to its Local Council and the local public, financial measures which it is only allowed to criticise within hard and fast limits laid down by the financial department of the Government of India." "It would be better for both of us, and I speak for all Local Governments—were our financial relations regulated as much as possible by automatic self-acting principles, save when some serious calamity like widespread famine, or national exigency like a great war, comes to sweep away all ordinary rules and rally, as they would do, all the Local Governments to the side of the Supreme Government in simple and self-sacrificing unity." The Honourable Mr. Sayani took in effect the same view. He described its features to be: "unequal and unfair apportionment of revenue between Imperial and local needs, on the one hand, and as between one province and another, on the other, a standing source of irritation and discontent in itself, short term settlements not calculated to inspire a sense of security or certainty, periodical readjustments of assignments generally resulting in curtailment of provincial resources and impairing the continuity of Provincial work, extraordinary Provincial contributions levied apparently without convincing reason or clearly demonstrated necessity, these are some of the features of the system, and there is no wonder that they reduce its value and in its practical working do not show it to much advantage. In fact our present arrangements do not tend materially to promote Provincial progress as was originally intended, but, on the other hand, by dissociating power from responsibility and leaving the Provincial administrations with uncertain and inadequate resources to meet the requirements of their respective Provinces, have simply served to bring to the Imperial Government administrative relief and a freedom from financial anxiety in respect of internal progress, which the conditions of the case scarcely justify, and tend, moreover, to a diversion of its energy and funds to less legitimate objects." On the theory of the whole Indian Revenue being the "Constitutional possession" of the Government of India, it takes for its own expenditure 44 crores of rupees, while giving to all the eight Provincial Governments only 20 crores. The proportion taken for the Government of India is too large, and by keeping within rigid bounds its own expenditure, it should allow to Local Governments increased latitude in its expenditure, so that the difference

in the respective proportions of the central and Provincial Governments might generally diminish, until the future revenues come to be divided equally between Imperial and Provincial purposes. Another beneficial change in the present system would be to extend the duration of contract over ten instead of five years. Sir James Westland objects to a *permanent* settlement of apportionment between the central and Local Governments, but I don't think anybody proposed a permanent contract. Nor is it a valid objection to the change that is advocated that any alienation of revenues for a permanent or long period would render a remission of taxation difficult. There is no reason why there should not be a remission of taxation by the Provincial Governments and the Government of India within their respective spheres. As a fact there has not been much of remission of taxation of late, and in the present year the improvement in exchange is a source of gain to the Government, but the taxpayer is not given the benefit of it to any extent. The improvement under Exchange in 1896 and 1897-8 amounts to Rs. 3,982,000, or nearly 4 crores, but of this improvement no portion was utilized for remission of taxation, although repeatedly has the Government promised a reduction in the salt duties at the first opportunity. I would also urge that the proportion of the total revenues disbursed among the different provinces should be made on a more equitable principle. It is a wrong principle to tax the progressive province for the benefit of the backward province. There is no reason why the rayat of Madras should be taxed for the development of Burma and Beluchistan, and possibly for the development of some other frontier tract which the ascendant policy of Military aggression may bring within the limits of British dominion.

The result of the new contract regarding the Madras Presidency is that as against the receipts estimated in the Budget at 316.84 lakhs, the estimated charges are 332.69, which, of course, reduces the opening balance of 25.85 lakhs at the close of the year. There is a net reduction, excluding Land Revenue and expenditure on Famine Relief, of 23.35 lakhs under expenditure, of which 22.5 lakhs falls under irrigation and public works, and the closing balance of the year is estimated to be 10 lakhs instead of the obligatory minimum of 20 lakhs. A saving of about two lakhs is estimated during the year, in the Exchange compensation allowance, and this saving will go to meet an increase of charge under General Establishment, due to three additional Deputy Collectors on Rs. 500, three temporary Deputy Collectors in Madura and Malabar, the travelling allowances of 157 Tahsildars (to whom a daily allowance of one rupee has been sanctioned for every day spent on tour), and increased charges under remuneration to copyist and examiners. I refer to this to show how any improvement in the resources of the local Government will be applied for the benefit of the public service and of the people. I have already referred to the large reduction in the Public Works grant as the result of the curtailment enforced by the Government of India, both in the contract assignment and in the estimates. Under "Provincial Loans and Advances" in the Financial Statement of Madras, the following remark is made: "The Government of India has curtailed the grants under this section to a considerable extent, on the grounds that in the special circumstances of the present year, it is not possible to comply in full with the demands made by the local Governments; that as regards loans to municipalities, the Government has at present no funds to lend for purposes of water supply and drainage schemes; that works of the kind should either be put off until funds are available, or the Municipalities should borrow in the open market."

I need not say how the central Government's encroachment on the resources of the Provincial Governments retards progress in administrative reform. For some time past, for example, the condition of the clerks in the Taluk establishment, who have the important duty of checking the revenue accounts prepared by the village officers, has attracted the attention of the Government. A provision was made in the Budget of 1896-7 for the improvement of the position of these "Taluk Gumastars"—as they are called—but it lapsed that year, and in the Budget of 1897-8, we have it stated that the *decrease* under Criminal Courts follows that under Land Revenue, owing to the *retrenchments* made in the provision for improving the position of the Taluk Gumastars and the travelling allowances of sub-divisional establishments.

For a long time past, public opinion has demanded most emphatically a reform in the present system of combining in the same officer judicial and executive functions. A good deal has been written and spoken about the question, and very high authorities have supported the unanimous demand of the Indian public. The evil is

indeed admitted, but the necessary reform is put off on the plea of want of funds. In the Madras Presidency, a small though important step in the direction of reform has been taken by the appointment of what are called Stationary Sub-Magistrates, as distinguished from itinerary Magistrates. But a further advance is needed, but want of funds is in the way.

It is only natural that in a country like India the cost of Government should grow from year to year, and if the growth of expenditure be marked by due economy, by a due regard to the tax-paying capacity of the people, by a sympathetic examination of the wants of the people, there would be no complaint. But what are the facts? A system of foreign domination, by depriving the people of all substantial voice and share in the administration of their own country, is bleeding it to exhaustion. Enormous Military expenditure is allowed to encroach on the resources available for administrative progress; not only has Military expenditure increased, the expenditure under Civil Departments has also increased. The Home Charges and the indebtedness of the Government are rising. Railway construction is being pushed forward too rapidly with borrowed funds, and compensation allowances are granted to European employees; on the other hand, the Famine Grant has been reduced. Departments in which people are more directly interested show but a moderate growth of expenditure. The expenditure on education shows but very slight increase.

*Growth of
Expenditure.*

Sir David Barbour's opinion is that in the construction of railways "we ought to proceed more slowly when there is apparent prosperity, and try and avoid those sudden checks which are very mischievous." This opinion was supported by certain non-official members in the Vice-regal Council both last year and in the present. In 1881 the amount to be borrowed for railway construction in every year was limited to £2,500,000, independently of any sums provided out of revenues or by Companies. The result of the 1884 Committee was to raise the limit to £2,950,000, and Mr. S. Jacob said that in some subsequent years, the frontier railway policy caused this limit to be exceeded, and in particular years, also, there were some exceptional charges. This policy has further been pushed on recently. Sir James Westland says, in the last financial statement:—"At the beginning of the year, the Secretary of State gave formal approval to a programme of Railway Construction, either direct by Government or by Companies acting under guarantees of the Government, which covered about Rx. 28,000,000 of Railway expenditure to be spread over three years, of which 1896-7 was the first. For this 28 crores of expenditure we were to raise in India as much money as we thought we could conveniently borrow, and the rest was to be raised in England, either directly by the Secretary of State or by Companies acting under agreements with him. But the amount of 28 crores thus arranged for does not include the transactions of certain Companies whose relations with Government do not involve a direct guarantee by the latter, and which work under special terms (like the Bengal and North-Western Railway) or under what are known as Branch Line terms. Nor does it include certain small transactions on Provincial account which are charged to Revenue." Thus, virtually, much more than the 28 crores that are to be borrowed is proposed to be spent on Railway Construction during the three years, 1896-7, 1897-8, 1898-9. The Revised Estimate of the past year shows Rx. 11,228,500, and the Budget of 1897-8 shows an expenditure of Rx. 13,413,800. The Finance Minister thinks that all this expenditure is fully justified. Last year, in the Legislative Council, he said:—"Taking the whole of them (Railway transactions), the charges to Government is only two crores of rupees. I would ask, simply as a question of policy, whether the possession of these 20,000 miles of railways is not worth, to the people of India, two crores of rupees. There is not a soul in the room who would not admit that India would be better for these railways, even if the people had to pay ten crores a year instead of two. With reference to these two crores of rupees, I have also to state that the loss which we have to bear mostly arises upon railway construction on the guaranteed system. The loss of a few years ago was only 70 lakhs of rupees. It has since mounted to two crores—[the amount is now 2½ crores *]—mainly because

* The actual figures are —	Acct 1894-95	Rev. Est. 1896.	Budget 1897.
Receipts	Rx. 21,244,160	21,674,300	21,583,200
Expenditure	Rx. 23,592,649	23,458,000	23,857,500
Net charge	Rx. 2,348,489	1,783,700	2,274,300

This result is arrived at after charging in the Railway Revenue account the following sums on account of exchange —Account, 1894-95, Rx. 4,774,565, Rev. Est., 1895-96, Rx. 4,333,700, Budget, 1896-97, Rx. 4,303,100 (Secretary of State's Financial Statement, page 15)

we have to bear a heavy loss of exchange upon the sterling debt connected with the older railways. But it is obvious that this heavy loss has nothing to do with the present construction of railways. We would have to bear this loss even if we were not constructing any railways during the last ten or twenty years. The later construction and expansion of railways has therefore been, on the whole, a financial gain." This tone of unqualified confidence is apparently not in accord with the figures which Mr. S. Jacob gave to the Commission. He pointed out that a large portion of the capital expenditure on which interest is charged, is not producing any revenue at all. I have taken out for the last nine years the accounts of capital expenditure on lines under construction or surveyed, and unopened lines. The balance remaining at the end of the year on such lines in 1886-7 was Rx. 3,000,000; in 1887-8, Rx. 1,500,000; in 1888-9, Rx. 1,000,000; 1889-90, Rx. 500,000; in 1890-1, Rx. 1,500,000; in 1891-2, Rx. 4,000,000; in 1892-3, Rx. 6,500,000; in 1893-4, Rx. 9,000,000; and in 1894-5, Rx. 11,000,000; so that there is a burden of Rx. 11,000,000 of capital which at present is producing either no revenue at all or very little revenue. This sum is no doubt accumulating, and yet the Government continues to borrow and is constructing some large railways. The Government, of course, satisfies itself after due inquiry that every new line of railway has a reasonable prospect of producing a net return of at least 4 per cent. upon the capital expenditure. But the accumulating balance at the end of each year produces no interest, and the new railway for some years after construction does not pay. Railways, no doubt, confer great benefits on the people, but the question is whether they are worth having at the present price. I am in entire accord with Sir David Barbour in thinking that we should proceed more slowly, and considering how already the sterling debt has increased it is wise not to proceed too rapidly. Almost all the railways recommended by the Famine Commission as protection against famine have been constructed; and for that reason the Famine Grant has been reduced. I do not see, therefore, the urgency justifying the taxing of the people, who already groan under the weight of taxation, to construct railways. The extension of railway communication can afford no consolation to the rayats afflicted by famine and disease, and railways cannot transport grain when there is no grain to be transported. It is time that the Government thought of affording relief to the taxpayer, and of devising means by which he can be enabled to increase his earnings. It is said that railways tend to raise the value of produce. As a fact, however, the rupee price of raw produce has not increased in any appreciable manner. There is no natural or healthy rise of price signifying increase of prosperity. Including abnormal years, such as famine and drought there is apparent rise, but it does not show the prosperity of the people. If there is a healthy rise due to the prosperity of the people, why are millions of people at the present moment victims of starvation and disease? But, after all, an increase in the rupee price is not an unmixed blessing to the mass of the people, for the bulk of the landholders own extremely small properties. In the Presidency of Madras nearly two-thirds of these pay a tax of under ten rupees a year, and as the tax is one-half the net produce, it may be taken that these petty properties yield annually less than Rs. 20. To such people a rise in the rupee price of raw produce cannot altogether be a blessing. They sell off a portion of the produce to meet Government dues, and most of the remainder goes to satisfy the demand of their creditors.

These Railways can be worked with considerable economy if they would employ Indians largely in their service. But they do not do so; and consequently the large number of Europeans employed constitute an additional source of drain on the wealth of the people.

The Railway enterprise in India gives more employment to Europeans than to Indians. There were, according to a Parliamentary Return of 1892, in all railways 2,448 Europeans,* earning salaries of Rs. 1,000 and upwards per annum, the total salaries coming up to Rx. 806,284. There were, however, only 895 Indians who earned salaries of Rs. 1,000, and upwards, their total being Rx. 136,735. Thus not only are the funds for the construction of railways borrowed in a foreign country, but their earnings are appropriated to the extent of nearly a crore of rupees towards the payment of foreigners.

* This does not include 180 Europeans not resident in India, drawing a total salary of £54,522

India's indebtedness has increased. The increase of debt in England is a serious evil. This latter has increased from £89,008,200 in 1879 to £112,949,546 on the 31st of March, 1896. The annual charge on this debt has increased during the same period from £2,532,328 to £3,684,872. For the year 1897-8 "the requirements of the Secretary of State," to quote the words of Sir James Westland, "are considerably enhanced, as he has now to meet heavy charges of the railway companies against the capital accumulated in 1896-7. On the other hand our means of meeting his drawings in India are greatly limited both by reason of the adverse circumstances of the year in respect of famine expenditure, and by reason of the heavy railway programme of expenditure."

Debt.

The Government of India intend to supplement their resources by borrowing four crores of rupees, but even with this loan it is estimated that the Government will not be able to meet more than £13,000,000 of drawings during the year. The Secretary of State is therefore obliged to have recourse to borrowing, and intends to raise £3,500,000 of permanent debt, besides restoring £1,000,000, by which in the current year (that is 1896-7) he has diminished the temporary debt. These debts go on accumulating, and the Government is regardless of the fact that besides a large amount having to be paid for interest every year, the amount is paid in a foreign country, and does not go to add to the capital of the taxpayers. It is exceedingly deplorable that the gravity of the drain on India's means of living caused by these sterling payments, besides the drain of the salaries paid to European employes in the service of the State and of the railway companies, is not realised, or if realised, the Government is callous to the disastrous results it is producing in the condition of the people. Perhaps I may quote here the opinions expressed by some very competent persons regarding the economical evil of these growing Home Charges.* The Currency Association that was formed in Calcutta in the year 1894, in a communication to the Government of India made these remarks: "The burden of Home Charges has become intolerable, absorbing, as they do, fully one-third of the total exports of the country, and there is little evidence of that compensation which opponents of the Currency Reform have sought for in the alleged higher rupee price of the raw produce and the consequent profit to the cultivator. India pays her Home Charges with exports of produce, of which wheat generally forms an important item; yet each million pounds sterling of Home Charges now absorbs 295,000 tons of wheat against 185,000 tons in the shipping season of 1885, when the rupee price was about the same as it was a month ago. In other words, the wheat cultivator of India must now devote 60 per cent. more labour than formerly to the discharge of the proportion of the country's foreign indebtedness." Sir David Barbour, writing in the *National Review*, of April, 1885, remarks: "A very simple calculation will show that in order to meet payments fixed in gold, India has now to give (following Mr Sauerbeck's figures) 66 per cent. more produce than would have been required twenty or thirty years ago . . . It may be argued that if India has to give more produce in order to discharge her gold debts, she has received compensation in the form of improvements in production and reduced cost of carriage. This contention is sound to a certain extent. I do not think that improved methods of production come to much in India, but the reduction in the cost of carriage is considerable. On the whole, the considerations afford compensation for only a fraction of the additional burden."

I entirely agree with Mr. Wacha and Mr. Gokhale in the remarks they have made regarding the Exchange compensation allowance. There was absolutely no justification whatever for diverting more than a crore of rupees of the taxpayers' money for the benefit of a class of officials who were already paid on an exceedingly liberal scale such as is known in no other country. There was some hardship, no doubt, caused by dear exchange, but the hardship was greatly exaggerated, and no regard was paid to the fact that the Indian taxpayers through Government were suffering far more from the depreciation of the silver currency than the officials themselves. Even the uncovenanted civil servants, whose pay and pension are fixed in rupees, were paid

Exchange
Compensation
Allowance.

* Gross Expenditure in England was in 1894-5 (including exchange)	£28,775,648
Deducting receipts, the net increase between 1884-5 and 1894-5 is —	
Increase in Expenditure	£1,751,945
Exchange	£11,156,304
	£12,908,249

this compensation. Professor Gokhale points out that the concession in regard to those whose salaries are fixed by statute in rupees is illegal, and the question of their legality or otherwise is under consideration. If the English official suffered loss in his remittances to England, the taxpayers who had to meet the sterling charges of the Government had to suffer even a more serious loss. The Indian taxpayer is an exceedingly poor person, whereas the English official is an exceedingly well-remunerated person for his service. The considerations which prevailed when the present salaries were fixed more than 100 years ago do not possess the same weight now. The English official in India is no longer an exile, and India is not a land of woes. I believe it is also a fact that living in England has within the last twenty years become cheaper, so that that portion of the Anglo-Indian official's family remaining in England can now live on reduced amounts. In fact, the whole transaction looks like one prompted by selfishness, and, looking to the special circumstances of the time then, shows an extreme want of sympathy with suffering people. The Exchange compensation allowance rendered the import duties necessary, and since it became a regular item of public expenditure, the Provincial Governments have been badly handicapped, a good deal of the margin between their revenue and expenditure being absorbed by these allowances. The amount borne by the Local Governments on this account was Rx. 423,700.

*Increase of
Taxation.*

Since the year 1884-5 there has been an increase of Rx. 5,500,000 in the Imperial Revenue due to additional taxation. If the Provincial Revenues were taken into account, the total increase would be more than Rx. 7,000,000. This does not include Land Revenue, which has increased within the last ten years from Rx. 21,832,211 to 25,408,272, excluding the revenue due to irrigation. A portion of the increase is due, no doubt, to the annexation of Burma. But Upper Burma brings no addition to the Revenues of the State. Including its Military charges, it is unable to meet all its expenditure. The annexation of that Province has brought no good to the Indian people. They did not want it, and they have not been profited by it. The annexation was made for purposes connected with Imperial interests, and the Indian people would be very glad to see the two Burmas taken away from the Indian Government altogether and constituted into a separate dominion. Though the money and the men that were needed for the conquest and pacification of Burma were supplied by the Indian taxpayers, the Indians are excluded from the public service, the higher appointments being exclusively held by Europeans. To add insult to injury, it is seriously said that the Burmese have contempt for Indians, and would dislike their employment in the services of their country. Burma has appropriated a good portion of the increased proceeds of taxation, and the rest has been mostly spent for Military purposes and for compensation allowance to European employees; whereas the increase of expenditure has been very moderate on the education of the people, on the protection of the life and property, on the extension of communication in rural areas, on irrigation works, and on the cheapening and rendering more accessible of the administration of justice, which are services, I need hardly add, more appreciated by the people.

*Famine Insurance
Grant.*

A good deal has been said and written about the Famine Insurance Grant; while some people maintain that the original license tax was imposed specially for this purpose, and that the one and a-half millions which that tax yielded is an amount of Revenue to be assigned under the most distinct pledge of the Government to railways to protect the people against famine, the Government has of late contended that no such pledge was intended to be given.

It is useless now to go into that controversy, which, however, will be remembered as an illustration how unreliable are the assurances of a Government constantly in financial embarrassment. The original grant was Rx. 1,500,000. But this amount has not been always maintained (*vide* Mr. Jacob's figures, page 314, Vol. I. of the Report). Financial pressure has compelled the Government to withhold the grant for some years, so that the average assignment since the year 1881-2 is only Rx. 1,165,261. During the last three years the assignment has been only a million, and the present Finance Minister has said distinctly that this would be the amount of the grant hereafter, because all the chief protective works recommended by the Famine Commission have been executed. In other words, fifty lakhs of rupees out of the fund originally raised for special purposes of protection, which Lord Lytton said "would be religiously set apart" for this purpose, and for this purpose alone, would be absorbed in the general expenditure, that is to say, in meeting the demands of the Military

Department or general administration, or in the construction of commercial railways which benefit the merchants and manufacturers of England more than they benefit the ryots. It is the middlemen and European merchants who reap the benefits of any improvement in the facilities of transport.

In my opinion it would be more just to the taxpayers if the fifty lakhs of rupees, no longer wanted for protective railways, were utilised for the benefit of the ryots in the construction of wells and tanks ; in opening roads in rural areas, in advances for agricultural improvements, or in the stimulation of industrial education ; or there should be remission of taxation to this amount.

Two great famines have occurred within the last twenty years, besides other famines confined to smaller areas. They involve the Government in immense expenditure while they last. Not only have large amounts to be spent directly on famine relief, but indirectly the loss of revenue is immense. The following figures taken from the last Financial Statement show the expenditure and loss of revenue attributed to the effects of famine and scarcity during the years 1896-7.

Famines.

	Rx.
Direct cost of Famine Relief	1,876,200*
Rise in prices in Army Expenditure	196,000
Loss of Revenue—	
Land Revenue	2,394,100
Salt Revenue	261,800
Other Revenues in N.W.P. and Bombay (excluding Stamp Revenue)	373,600
Loss of Railway Revenue (net)	1,234,200
Total	6,335,900
Gain under Irrigation Revenue	269,500
Net Result	6,066,400

This represents the financial results of the Famine to the State. But the direct consequences to the people are frightful. The amount of physical and moral deterioration which these famines bring over the people is simply incalculable. The recurrence of famines from time to time points with irresistible force to the necessity of reducing the burden of taxation on the people, more especially the land revenue, by the adoption of a more reasonable and less oppressive system of raising it. The drain of the country's money and military expenditure should be reduced.

I shall now request the permission of the Commission to go into the figures of a few departments of Madras to show that there is great room for increased expenditure in these departments, that the expenditure is comparatively very moderate, because other departments in which the Supreme Government is more interested take away most of the money available, and that the economies which are possible by a larger employment of Indians are neglected. To take the Educational Department first :—

The Educational Department of Madras.

The Educational Department has suffered most by the extravagance of other Departments. It is the Budget of this Department that is cut short first whenever money is needed for any extraordinary item of expenditure, so that we may say that this Department is starved.

Educational Department.

2. The peculiar feature of Public Instruction in this Presidency is, that Government maintains very few institutions of its own. There are only three First Grade Arts Colleges, one Second Grade College, four Professional Colleges, one High School and a few Training Schools, maintained by Government, and the total expenditure on Government institutions was Rs. 912,539, which is far less than the amount spent in the other Provinces by Government on its own institutions. But even this expenditure can be diminished (1) if the fees in Government Colleges, &c., are not so high ; (2) if a larger proportion of qualified natives are employed in the staff.

The new Educational Service—divided into two branches, the Imperial or European Educational Service and Provincial Service—is the outcome of the Public Service Commission, and is supposed to introduce greater economy by giving a larger share in the higher grades of the service to natives. The appointments hitherto monopolized

* Besides Rx. 14,500 for English expenditure and exchange thereon.

more or less by Europeans have been nine Professorships, four Inspectorships, and three Principalships, and one Vice-Principalship. According to the new scheme only three Professorships and two Inspectorships are thrown open to natives. This is anything but adequate. There is an increasing number of qualified natives who have secured the highest University honours in Great Britain. (One of the recommendations of the Educational Commission is to the effect that natives who have received an English training should be given appointments in the Educational Service.) These men are perfectly qualified to fill Professorships and Inspectorships. It is noteworthy that the only Science Professors in India who have achieved European fame by their original researches in science are natives of India, Dr. Bose and Dr. Roy; and yet, strange to say, in the new scheme no Professorship of Science is to be held by a native of India, and the only Professorships that they are considered competent to fill are the Professorships of Mathematics, Sanskrit, and History, or Philosophy. Even these are not given always to Indians; the Professorship of Sanskrit in the Presidency College of Madras was about to be given away to a German, but the Secretary of State vetoed the proposal and appointed a Hindu.

The money spent on the Law College Buildings is sheer waste when we take into consideration the other educational needs. The aided schools and colleges are being starved. A paltry sum of 1,50,000 rupees is spent on results grants. The total grants paid from Provincial funds amounted to Rs. 6,19,780 in 1895-6, when the total number of institutions in the Presidency was 26,066, and pupils 791,634. In 1890-1 the total amount spent on grants from Provincial Funds was Rs. 6,40,341, and yet in that year the number of institutions was only 22,028, and pupils 644,164. Thus, when the number of institutions and pupils was smaller, more money was spent and aided institutions are starved. The payment by results has become more or less a farce. For years past the schools have not been getting the actual amounts earned, but only a fraction of that amount on account of want of funds. The Director of Public Instruction in accounting for the distinct falling off in Kindergarten and object-lessons in all the standards (p. 106, D.P.L. Report for 1895-6) gives as one of the reasons, "the paltry rate of results grants provided for them in the Grant-in-aid-Code," and adds, "A third and a very formidable reason, indeed, is the want of monetary inducement to managers to teach these subjects, the assignment we are able to make to schools annually as results grants being small, and such as can be earned by passing pupils in the compulsory subjects alone."

The assignment for salary grants amounts to Rs. 2,70,000 and a large number of High Schools do not receive any assistance from Government.

As regards furniture grants the Director himself says (page 107): "Only about Rs. 12,000 a year from public funds are given as grants-in-aid to managers for the better equipment of their schools. Managers of primary schools in outlying villages are often quite unable to do anything to provide their schools with even the simplest articles." (Page 106.)

Female education, of which the importance cannot be exaggerated in India, makes but slow progress owing to want of funds. The increase in the number of girls in girls' schools for a whole year was only 211, which, the Director of Public Instruction remarks, "is insignificant, and lends support to my statement in the last report that no appreciable advance will be made in the number of girls' schools unless additional funds are provided, which would allow of assignment to such schools being raised. It is somewhat different in regard to girls in boys' schools, the managers of such schools being interested in admitting as many girls as possible, with the certainty of earning the full amount of assignment easily, each girl earning for them a larger amount than each boy."

According to the last Administration Report, seventy-six per cent. of the boys of the primary school age, that is, three boys out of every four, are not in school; that only thirty-seven per cent. of the net cost could be assigned to schools in 1895-6, and that 13,702 villages with 200 or more inhabitants, and 20,215 villages or village groups with less than 200 inhabitants, are yet unprovided with any means of educating their children. The above figures indicate the extent of the work to be done before three-fourths, or even one-half of the boys of school age are brought under the civilising influence of education. The charge for the lower primary education of boys, except in the municipalities and the agency tracts, is a liability on local funds. Unless, therefore, local boards are able to assign an annually increasing allotment for education, it is futile to expect any large extension of the sphere of primary education.

But Local Boards cannot conveniently do this, their resources being limited and there being other demands on them. "Missionary and Philanthropic Societies, and public-spirited citizens cannot be expected to open new schools," the Director of Public Instruction remarks, "when, owing to diminished grants, they find a yearly increasing difficulty in supporting the schools already opened; and parents, even if they have the means, cannot be depended on to pay fees sufficiently high to cover the cost of a school." Far from being able to assign annually increasing sums for education, several Local Boards have, as a matter of fact, been led to reduce the allotment for education for 1896-7, with a view to give effect to the express orders of Government to assign fifty per cent. of the land cess collections to communications. The allotment for results-grants in the local Budgets for 1896-7 is, in consequence, Rs. 2,25,060, as against Rs. 2,31,750 in the Budget for 1895-6; and I apprehend that the Boards will make further reductions under this head in the ensuing year's Budget in order to give full effect to the orders of Government. "If the provision for primary education is thus to be left to the tender mercies of Local Boards without any definite understanding"—I again quote the Director of Public Instruction—"I foresee that its progress will be checked and impeded. How different is the spectacle presented by other civilised countries in this respect! In Great Britain sufficient school accommodation has by law to be provided in every district for all the resident children between the ages of five and fourteen, and the minimum age for exemption from school attendance is fixed at eleven. In France primary instruction was made obligatory in 1882 for children from six to thirteen years of age; education is general and compulsory throughout Germany, and the school age is fixed from six to fourteen. In Belgium each Commune is required by law to have at least one primary school, and Government pays one-sixth of the charge. In Denmark elementary education is compulsory, and the school age is from seven to fourteen years. In Greece all children between the ages of five and twelve years are required to attend school; in Switzerland elementary education was made compulsory in 1874, the school age varying in the different Cantons; in Japan, an Asiatic Empire of very recent growth, elementary education is compulsory for all children of school age (six to fourteen). The list need not be multiplied. There are those who think that elementary education should be made compulsory and free in this country; but it seems to me that such a proposal is not at present within the sphere of practical politics, seeing that we are hardly able to carry on efficiently the number of primary schools necessary to accommodate only one-fourth of the children of primary school age. One of two courses seems to me as of practical moment, viz., either that a special allotment from Provincial funds for elementary education should be made to supplement the Local Board allotments, or that a special educational cess of some kind should be imposed, Local Unions being organised for the purpose. If the former course commends itself to Government, the subject might advantageously be considered in connection with the renewal of the Provincial Contract."

(Of course, in the renewal of the Provincial Contract, no such thing was done.)

Such is the condition of Elementary Education, which the Government has repeatedly expressed its wish to advance. I put it to the Commission whether it is not a fair question to consider whether the education of the people has not the same, if not greater, claim on the revenues of the State as the extension of railway communication or war in foreign lands.

There is no branch of the administration which is more unpopular than the Police. The rank and file of the force come into close and constant contact with the people, and these men being ignorant, and drawn from a low class of people as a rule, they are often guilty of a gross abuse of power. Out of the 22,233 men constituting the force, only 84.8 per cent. could read and write in 1895. Knowing how to read and write is not a high educational qualification. 3,379 men could not read and write, and 18,222 had not passed any University Examination. It is very difficult to get men of any education worth the name for the salaries paid to the constables. New occupations for men of this stamp are coming into existence, and in order to attract proper men, it is necessary to give the constables better pay and to offer them better prospects of promotion. Already the Department complains of difficulty in obtaining recruits. The following extract from the Inspector-General's report for 1895 throws light on this point:—"There were 1,890 enlistments during the year, compared with 2,761 in 1894. In Bellary the Superintendent was specially enjoined to maintain the district up to as near full strength as possible. He reports again the great difficulty found in

*The Police
Department.*

enlistments, and remarks that the abundance of local labour with higher rates of wages is the chief cause of the difficulty. The District Magistrate remarks that the administration of the force in that district is uphill work, with the strength 39 short and with only 414 out of 720 able to read and write. The Superintendent and Deputy Inspector-General considers that an increase of pay to the rank and file is the only solution of the difficulty. During the year, attention has been given to the grant of rewards where special detective ability has been shown, and arrangements are now made to keep recruits as near as possible to their homes; recruiting parties were sent to all neighbouring districts where recruits were likely to be found. The result of these efforts has not been encouraging . . . Out of the 57 men enlisted during the year 19 were under chest measurement, and 6 over age and undersize, and 24 were illiterate. The result of this is, no doubt, to make Police work specially difficult in the district . . . In Chingleput the Superintendent again reports on the difficulty of getting full-sized, healthy men." Head Constables are of four grades, on Rs. 25, 20, 15, and 12 respectively. They are Station House Officers, entrusted with responsible powers. They are promoted from the rank of constables, and in point of social position or education they do not differ much from them. It is dangerous that such men should be invested with the power of investigating and prosecuting cases, searching houses, and so on. These should be men of better social position and education, and should receive higher salaries.

The Inspectors are no doubt a better class of men but are hardly up to the mark. Their salaries range from Rs. 75 to 200, but it is quite possible to obtain young men of decent education to fill their places. Out of a total of 408 inspectors, 134 have not passed any public examination; out of the remainder of 274 Inspectors, 4 have passed the B.L., 28 B.A., 33 F.A., and 144 Matriculation.

There can be no doubt that the Police Administration is very inefficient, and this inefficiency is mostly due to the fact of more or less incompetent Europeans being pitchforked into these appointments. The internal administration is bad; the percentage of detection is very low; and the recovery of property is not better. In the last Administration Report, the Inspector-General remarks: "I remarked in last year's Report that I considered men had been treated with undue leniency in this district (Krishna) by Mr. Prendergast, and the visits of inspection paid to the districts by myself and the Deputy Inspector-General confirmed the view then taken. Both Mr. Young and I found that discipline was unsatisfactory, and that far too little work was exacted from the men. . . . In Bellary the number of punishments increased, and here also there are grounds for thinking that Colonel Hodgson, the previous Superintendent, had allowed matters to slide too much." Of Malabar, the Superintendent writes: "Much care has been exercised, the Assistant Superintendent aiding me well in controlling the morale of the force. *It will yet take some time to produce what is needed badly.*" "The falling off in the number of men punished in North Arcot is not satisfactory . . . I remarked then in my inspection notes that detection was falling off, and that the former strictness in the matter of drill and dress was not maintained. I feel certain that Mr. Thomas might have punished very properly in many more instances than was the case."

"The Police in the Ceded Districts are as a body inferior to the Police in any other part of the Presidency. The percentage (of conviction) was on a lower level all through, and the low percentage of persons convicted to persons arrested shows either a great want of intelligence in judging of the value of evidence on the part of the police, or a want of acumen on the part of the Magistracy, or a low standard of intelligence on the part of witnesses." The percentage of conviction in cases prosecuted was 37·7—this is the average; in some districts it was below 25 per cent.

It is not uncommon for the Police to shelve on other shoulders their own responsibility for the detection and punishment of crime. The District Magistrate and the Police Superintendent of Krishna say that the district being rich, it invites criminal gangs. Other causes which obstruct the successful work of the Police are, in the opinion of these officers, an indifferent public who do not reprobate crime, Magistrates who take perverse views in the administration of the law, and incompetent Jury. The Malabar Superintendent of Police falls foul of the Jury, and says, "The system of trial by Jury has been the means of restoring many a house-breaker to his family. . . . The failure to obtain conviction by Juries will be seen in the increased crimes." An official circular has recently been issued in some districts

that no complaint against a Police Constable should be entertained by a Magistrate without a previous reference to the Superintendent of Police—a circular which is against the Criminal Procedure Code.

Torture is frequently practised by the Police. In concluding a protracted trial of a case of torture against the Police the Sessions Judge of Calicut said in his judgment: "In his opinion torture is much more prevalent among the Police than it is generally supposed to be."

Such is the state of the Police in this Presidency. It is inefficient and corrupt, and is officered by men who are often found fault with by the head of the Department and by Government for incompetency. The opinion is general that from the District Superintendent to the constable, in every grade there is much room for the introduction of educated men. The salaries of the force must be increased, and more Indians should be employed in the superintending grades.

The Competitive Examination which is held in London for the selection of men to fill Assistant Superintendents' places should be held in India also. If natives were largely employed there would be, of course, a saving in the salaries, and in compensation allowances. Less money will of course leave the country, and I venture to say the Police Department will show increased efficiency.

(N.B. Since writing the above I have read the debate in the Viceregal Legislative Council, and have observed that inefficiency of the Police is a complaint not confined to the Presidency of Madras.)

A reference to the Appendix O, 14, of the Report of the Public Service Commission will give an idea of the effort that has been made for the last twenty-five years to bring about a larger employment of Indians in the Public Works Department. Still, at the time that the Public Service Commission reported (1886-7) the number of Europeans and Natives drawing salaries over Rs. 100 a month, employed in the Superior Engineer Establishment was as follows, out of a total of 1,015 Rs.

*Public Works
Department.*

Europeans not domiciled in India (or about 80 per cent. of the whole)	810
Europeans domiciled in India, and Eurasians	119
Natives of India	86
	<hr/>
Total	1,015
	<hr/>

The Public Service Commission recommended that there should be an Imperial branch and a Provincial branch, that the strength of the Imperial branch should not be greater than is necessary for purposes of control and direction, and for the execution and repair of works calling for high Engineering skill, and that the recruitment from the Cooper's Hill Royal Engineering College, which appeared to the Commission excessive, should be regulated accordingly, that the Provincial branches should be of a strength adequate for the construction and maintenance in the several provinces of works not ordinarily calling for high Engineering skill, that the recruitment for the Provincial branches should be made by the direct appointment to the lowest grades of qualified Engineers from the Indian Engineering Colleges, and in exceptional cases, by promotion from the upper subordinate grades, and that the number of professional Engineers and military officers employed in the Superior Accounts branch is excessive and should be reduced. So far as I am aware effect has not yet been given to these recommendations. In the statement I have prepared, showing the excessive employment of European agency in the various branches of the Service, the number of Europeans and Indians employed in the department of Public Works is shown. Of a total of 141, Europeans are 118, drawing an aggregate salary of Rs. 10,68,864, whereas the Indians are only 23, drawing Rs. 106,987, and the highest appointment held by an Indian is that of an Executive Engineer on Rs. 700. The history of the employment of natives in this department, as in the case of the Civil Service generally, is one of alternate promise and disappointment. So long ago as in 1871, a Committee appointed by the Madras Government reported that *three* appointments as Probationary Assistant Engineers should be annually given to those Students who might attain the most distinguished positions in the list of Bachelors of Civil Engineering. But this recommendation was not fully adopted by the Government, who decided that only one appointment should be made annually instead of three. Subsequently, however, when the appointment was claimed by a distinguished

Bachelor, the Government denied that this was an absolute guarantee. Again the Government of India, in a Resolution in 1882, guaranteed one appointment as Assistant Engineer every year. I think it is under this guarantee that the Indian strength in the Engineer Establishment is even so much as it is now. Indian Engineers do not receive proper encouragement. They are frequently superseded by European subordinates (*vide* Report of the Public Service Commission—abstract of evidence). Not only in the general service, but in the local service also, are the claims of Indian graduates superseded. The kind of public works which—what we call District Boards in Madras—have to execute, do not require a high engineering skill. Still the Engineers of these District Boards are Europeans, receiving compensation allowance.

EUROPEANS AND INDIANS EMPLOYED IN VARIOUS DEPARTMENTS IN THE MADRAS PRESIDENCY.

Name of Department.	Total No of Appointments on and above Rs 250 per mo.	EUROPEAN.		INDIAN.	
		No.	Annual Cost.	No	Annual Cost.
			Rs. a. p.		Rs. a. p.
Members of the I.C.S. (including 5 Statutory Civils.)	160	150	2,909,484 13 0	10	95,732 12 0
Police	66	64	465,000	2	7,200
Educational	51	23	251,624	28	118,475
Ecclesiastical	41	41	414,360	—	—
Marine	18	18	99,160	—	—
Prison	10	10	90,640	—	—
Political(including Consuls)	7	7	79,568	—	—
Financial	9	6	69,368	3	15,120
Medical	56	52	637,924	4	28,200
Post Office	20	17	116,540	3	11,400
Telegraph	23	23	123,300	—	—
Forest	42	40	289,200	2	7,200
Customs... ..	4	4	49,000	—	—
Survey	19	16	130,800	3	10,800
Salt and Abkari...	101	86	462,636	15	54,553 14 0
Public Works	141	118	1,068,864	23	106,987
Judicial	155	45	982,808	110	538,854

Apportionment of Expenditure.

I have not much to say under this heading. Regarding those items of payment which have been in constant dispute between the two countries, all that can be said has been said by witnesses representing the Government of India. I do not think that the Indian taxpayers' point of view can be put more strongly than was done by Lieutenant-General Sir Henry Brackenbury, the late Military Member of the Government of India. Perhaps I may quote the words with which he concluded his evidence. He said: "I should like to express my opinion that if this Royal Commission could see its way to recommending the abolition of all these accounts for Military and Naval services, for the Secretary of State's salary, and the expenses of the India Office, for diplomatic and consular charges in Persia, China and elsewhere, and to substitute for them a fixed contribution from India, as her return for the

advantages she derives from Her Majesty's Government and Her Majesty's Navy, treating India more generously than she is at present treated in these accounts, the acceptance of such a recommendation would remove many constant causes of irritation, and would do much to convince all classes in India of the desire of this country, which rules India, to treat India justly and generously." General Brackenbury very truly pointed out, that Great Britain rules India not for the exclusive benefit of India, but for her own benefit also. He said: "Look at the hundreds and thousands of people that we know whose sons have gone out to India and got employment there; and the great commerce which we have with India; and with regard to that, what I would point out is that if India, for instance, were to fall into the hands of Russia, we know perfectly well that our commerce there would become practically extinct, because, if she did not practically prohibit the importation of British goods, Russia would put on such differential duties on them that she would make it practically impossible for them to be imported, as she does in Central Asia and elsewhere." Well, then, if the possession of India is so important for the commerce of the United Kingdom, for the livelihood of hundreds and thousands of her people, for her prestige and influence in the world, and, I may add, for her very existence in India, is she not bound to pay a portion at least of the cost of that possession? 'The possession is secured not by the Army only, but by the costly European agency employed to control and direct the Civil administration. The cost of this whole European agency—the Military as well as the Civil European agency—is now entirely borne by the Indian taxpayers. This alien agency is kept in India avowedly with the view of maintaining British supremacy. In reply to the representations of the Indian people that their claim for employment in the higher branches of the services is persistently ignored, British statesmen have repeatedly said that a certain minimum would be indispensable in order to maintain British rule in India. The money-drain is not the sole evil of India's foreign domination, but the moral deterioration of the people is its worst evil. Under the existing system of Government, the Indian people must ever be hewers of wood and drawers of water. British rule provides no opening for the ambition of individuals or for the aspiration of the nation. No Indian can hope to become a great statesman, a diplomatist, a general, an administrator, not to speak of the nation being allowed its right to govern itself. This pecuniary drain and this moral deterioration give my country a claim on the sympathy and generosity of the British people. I do not in the least mean to under-estimate the benefits that India has derived and is deriving from British rule. Far from it. But my position is, that if India has benefited from that rule, to Britain the Indian possessions has been much more beneficial, and the ruling country, while paying in some measure for these benefits, should afford adequate compensation for the evils it necessarily inflicts on the dependent country. I would therefore say that England should pay for all that portion of the Military charges which are incurred not for the purpose of maintaining peace and order within the boundaries of India, but for the purpose of upholding her supremacy in Asia and indirectly in the world. She should also pay a moiety of the charges incurred for the salaries of European employes in the Military and the Civil Service of India. All charges incurred since the time of and including the second Afghan War in the North-West Frontier should be equally divided between the two countries. The entire cost of the conquest and that of subsequent administration of Upper Burma should be refunded to India. Whenever any Indian troops are sent out of Indian frontiers at the instance of the British Government, the whole cost should be borne by the British Exchequer.

The frontiers of India should be defined by a Statute, and they should not be extended at the expense of her taxpayers.

Whenever any difference may arise between the Government of India and Her Majesty's Government regarding the apportionment of charges, the decision should be vested in the Judicial Committee of the Privy Council, which is a tribunal already in existence, and which would obviate the necessity of finding Arbitrators in whom both the parties would have confidence. The Judicial Committee of the Privy Council is well known in India, and commands universal confidence as an impartial and unbiassed tribunal.

It is true that there are no true surpluses in the Indian Finance, due to increased revenues resulting from the taxpayer's prosperity. The surpluses are, in most cases, arrived at by fresh taxation, by loans, or by reduction of the normal standard of expenditure. I have prepared the following statement to prove this:—

*Surpluses and
Deficits since
1884-85.*

1884-85	Deficit	Rx. 0.39 millions	}	Total	}	Rx. 5,039,000
1885-85	"	" 2.81 "				
1886-87	Surplus	" 0.18 "				
1887-88	Deficit	" 2.03 "				
1888-89	Surplus	Rx. 37,000	}	Total	}	Rx. 6,804,000
1889-90	"	" 2,612,000				
1890-91	"	" 3,688,000				
1891-92	"	" 467,000				
1892-93	Deficit	" 833,412	}	Total	}	Rx. 2,380,410
1893-94	"	" 1,546,998				
1894-95	Surplus	" 693,110	}	Total	}	Rx. 2,227,108
1895-96	"	" 1,533,998				
1896-97	Deficit Rev. Est.	Rx. 1,986,900	}	Total	}	Rx. 4,450,900
1897-98	" Budg. Est.	Rx. 2,464,000				
Total Deficit during the 14 years				Rx. 11,870,310		
Surplus				Rx. 9,031,108		
Total net Deficit				Rx. 2,839,202		

The first period of deficits, that is the four years ending 1887-8, was the period when the addition to the Army was made and Upper Burma was annexed. It was a period of great trial.* Financial equilibrium was restored by an increase of the Salt duty, the imposition of an import duty on petroleum, the absorption of the Famine Grant, the appointment of a Finance Committee to enforce reductions of expenditure, and the appropriation by the Government of India of Rx. 640,000 yearly from the Revenues at the disposal of local Governments. In the Financial Statement of 1887, the Finance Minister said: "For the present, therefore, until the outcome of the present difficulties is seen more clearly, the Government considers that in providing for the necessary expenditure arising from its administrative needs, it should avail itself of the resources which, in times of surplus, are assigned from its resources to the construction of railways or to the diminution of the amounts which it borrows annually for railways." In other words, it was contemplated, in subsequent years, to reduce the expenditure on railways or to borrow more largely than the Government would have done under better circumstances. As a fact, in the years 1885-6 and 1886-7, so much as £7,700,000 was borrowed in England for the construction of railways, although the declared policy of the Government is to borrow in India for this purpose. There was also the usual increase in these two years of the Government's "Debts and Obligations" in India to Rx. 202,160,459. Measures of additional taxation referred to above were taken in the latter part of the year 1887, and were estimated to produce about Rx. 1,900,000. But, as they were introduced at the end of the year, they had but little effect on the Revenues of that year. In sanctioning this additional taxation, the Secretary of State examined and reviewed the financial relations between the Government of India and Provincial Governments, and pointed out the inequality of the existing arrangements which secured freedom from financial difficulties to Local Governments, while the Supreme Government might be passing through a phase of acute embarrassment. The Government of India was requested to re-consider the propriety of arrangements which protected Local Governments from sharing in the financial responsibilities of the Empire and from contributing to their relief. Proposals were accordingly made in October, 1888, which ended in contributions from Local Governments to the amount of Rx. 740,000 in aid of Imperial revenues, although at that time hardly eighteen months had elapsed since the so-called quinquennial contracts had been settled.

* Between 1884-85 and the Budget Statement of 1887-88, total new demands on revenues were Rx 4,750,000. These demands were met as follows:—

Imposition of Income Tax	Rx. 900,000
Other Improvements of Revenue	Rx 960,000
Resumption of Famine Grant	Rx. 1,450,000
Reduction in outlay on Railway construction	Rx. 260,000
Diminution in the amount of Revenue assigned to the Provincial Governments causing a reduction of their public works expenditure by	Rx. 500,000
Absorption of the prescribed Surplus	Rx. 500,000

In the year 1888-9, notwithstanding the addition of nearly two millions that the new taxation was expected to bring, a deficit was estimated for, after including considerable sums in the expenditure of the year for Special Defence Works and for Military Expeditions, which were Rx. 1,121,500 and Rx. 387,500 (the latter being Rx. 142,500 on Black Mountain Expedition and Rx. 210,000 on account of Sikhim, besides Rx. 35,000 on account of the Lashai Expedition).

On January 27th, 1888, Mr. (now Sir J.) Westland summarised the position thus : "The fall in the value of silver, the necessity of improving our Military strength, and the expenditure connected with the occupation of a new Province, had absorbed not only the three years' improvement of Revenue, but the whole of the margin which we possessed in 1884-5. Every rupee of the Revenue shown in the estimates of 1887-8 was pledged, as the Financial Statement put it, "for the necessary expenditure arising from our administrative needs; and for the risks of war and of famine and of exchange and of opium, nothing whatever was reserved. Nay, more, we were pledged to heavy expenditure upon the defences of our harbours and of our North-West frontier, and this expenditure, all unremunerative as it is, was entirely provided for by borrowed money."

The accounts of this year (1888-9) showed a nominal surplus of Rx. 37,000, instead of the estimated deficit, due, no doubt, to the increased taxation of the previous year and the absorption of the Famine Grant, which both improved the Revenue to the extent of nearly 2½ millions. This year and the three succeeding years were years of surplus. The years 1889-90 and 1890-1 especially were good years. But it will be presently seen that the surpluses were not due to any increased capacity of the people to pay taxes as the result of their prosperity, but were due mainly to temporary causes and to increased taxation. It will be seen from the statement which I have given at the beginning, that the aggregate surplus of these four years was Rx. 6,804,000; but against this have to be set off chiefly the additional taxation of Rx. 1,900,000 (imposed in the latter part of the year 1887), which in four years should have yielded about Rx. 7,600,000; and the savings from the Famine Insurance Grant, which amounted to nearly two millions; total Rx. 9,600,000. Rise in exchange was the cause of considerable saving in expenditure, and there was, besides, a contribution from Local Governments.

In the year 1889-90, the surplus was, owing "to a temporary improvement," under opium to the extent of Rx. 995,200, to a general growth of Revenue, amounting to Rx. 766,500, to short expenditure on special defences and in connection with the Army by Rx. 344,500, to reduction in the interest charge by Rx. 230,900, to improvement in the Railway Revenue account which, with other heads, yielded Rx. 289,800, and to a rise in the rate of Exchange which favourably affected the Revenue by Rx. 200,000. There was also a special contribution of Rx. 490,000 from Local Governments (*vide* Fin. St. for 1890-1, para. 9). The surplus of 1890-1, namely, Rx. 3,688,000 was the largest ever realised during the last forty-six years. But of the causes that contributed to this surplus, the following remarks of the Finance Minister are worth consideration.

"Of the increase in Civil Revenue, some represent a growth of revenue which will in all probability be permanent; but a portion of the increase under Salt is due to a change in the date of payment of the duty in Madras, and is merely temporary, while the increase in mint receipts and the chief increases in the Home Accounts are due to special causes, and cannot be expected to occur in future years. The growth of permanent Revenue during the year has been moderate; Civil Expenditure shows a reduction of Rx. 86,400. There were savings in expenditure, under opium (Rx. 110,000), and stationery and printing (Rx. 44,000), there was also a saving of Rx. 65,300 in the cost of police, most of it in Upper Burma. A remarkable rise in Exchange* and short expenditure on special defence works have caused a great increase in the estimated surplus of the year. The large surplus of the year 1890-1, as now estimated, does not arise from causes which can be contemplated with complete satisfaction. The rise in Exchange has already been lost to a very great extent; the fall in the price of opium continues, and the receipts under XXIV., Exchange, will diminish still further, as the total transactions from which they arise are reduced in

* Fully one-half of the total surplus is due to this cause. The average rate of Exchange for the year was rs. 6-89d., as against the Budget Estimate of rs. 4-55d.

amount, and the short expenditure under Special Defences is a postponement of the burden, and not a real saving."

The years 1891-2 was one of nominal surplus, of Rx. 467,000. It swallowed up the improvement in the revenues of the two previous years—improvements due, it must be remembered, to a rise in Exchange, to short expenditure for Military purposes, and to reductions in Famine Grants, besides the proceeds of the additional taxation. This year the expenditure on Military Works and Special Defences, and on Famine Insurance, was restored to the normal standard. In the following remarks the Finance Minister explains how the improvements of 1889-90 and 1890-1 were swallowed up by increased expenditure in 1891-2, which brought the period of so-called financial prosperity to a close:—"During these two years (1889-90 and 1890-1) there was an improvement of Rx. 2,628,200 in the Revenues, and there was a reduction of the charge for Ordinary Debt and of the charge for Exchange. These two improvements yielded a total gain of Rx. 3,102,200. But in the succeeding year (1891-2) special causes absorbed nearly the whole of this gain. In the first place, I may mention that the cessation of the special contribution from Local Governments absorbs Rx. 490,000 of the improvement. The reduction in net Opium Revenue absorbs a further sum of Rx. 576,900. The falling-off in receipts under XXIV., Exchange, accounts for Rx. 485,900. The restoration of the Famine Grant has taken Rx. 960,000. Under Military expenditure of all kinds (Army, Military Works, and Special Defences) there is an increase of £621,600 in England, and only a decrease of Rx. 610,200 in India (of which Rx. 300,000 is due to the effect of Exchange on the pay of British troops. There is also a special charge in 1891-2 of Rx. 188,000 on account of the Census. In this way, the whole improvement of Rx. 3,102,000 is practically accounted for."

1892-3 and 1893-4 were years of deficit. The Exchange was rapidly falling and caused an addition to the expenditure of Rx. 4,142,400. This was the period when the Government tried to solve the currency question of India, and granted compensation allowance to its European employees. To meet the new demands Government had recourse to fresh loans. The measures for the permanent restoration of equilibrium were delayed till the end of the year 1893, in view of the expected decision of the Home Authorities regarding the currency question. On March 10th, 1894, that is, at the end of the financial year, 1893-4, a Bill was passed for the re-imposition of Import duties. In December of the same year (1894) the cotton duties were revived. The deficit in 1892-3 was Rx. 833,412. This deficit would have been greater but for the contributions to the extent of Rx. 466,000 from Local Governments on a fresh revision of the Provincial Contracts. In this year as well as in the previous year the Famine Insurance Grant was to the full extent of Rx. 1,500,000. Other causes that improved the Revenues were an improvement under interest owing to Government not having borrowed in India for some years (because it spent less on railway construction and contracted the grant for Famine Insurance), and to investment in Government Securities of a large amount of the Paper Currency Reserve.

The year 1893-4 was one of greatest depression. The rapid fall in Exchange had landed the Government in a state of the utmost despondency. The Government had to find money to cover an estimated deficit of Rx. 1,595,000 in the Imperial Account, and of Rx. 751,200 in the Provincial and Local Account. It had also to find Rx. 3,550,000 for expenditure on Railways and Canals, not charged against Revenue, and to provide funds for loans to local bodies, &c., to the extent of Rx. 327,900. It had also to meet the payments by the Secretary of State to the extent of £1,889,100, amounting at the Exchange of 1s. 2½d. to Rx. 3,070,400, of which about one-half only was to be recovered in India from the remitters. To do all these, a loan of Rx. 3,000,000 was to be raised in India. The cash balance of Rx. 15,204,200 with which the financial year was expected to open, was to be reduced by Rx. 2,561,100. These amounts were to be used for public works, for the Secretary of State's Bills, and for other ordinary wants of Government. The large net deposits in the Government Savings Banks, the repayment by Bombay Port Trust of a loan of Rx. 616,000, and the payment by the Rampore State of the balance of Rx. 220,000 of the amount that that State had been paying for the construction of the Moradabad-Rampore Railway; these were utilised to strengthen the Ways and Means.

There were also noteworthy decreases of expenditure in the year 1893-4: under interest, Rx. 233,200; under construction of Railways, Rx. 118,200; under Special

Defences, Rx. 18,600; under Miscellaneous Civil Charges, Rx. 32,400; total, Rx. 411,100.

In the year 1894-5 the surplus was Rx. 693,110. This surplus was reached by the combined product of the Tariff Legislation of March, 1894, and of December of the same year, which amounted to, as I calculate, Rx. 1,940,700, being the difference between the old and the new tariff duties—or, say, nearly two millions; by a reduction of Rx. 500,000 in the Famine Insurance Grant, and by contributions from Local Governments to the extent of Rx. 405,000; and by a reduction of expenditure to the extent of a million. In regard to the last, the Finance Minister says: "It may be mentioned that very strict economy has been insisted on in other expenditure also, and that the grants under many other heads than those mentioned in the two preceding paragraphs would have been larger had it not been for the efforts made to reduce the deficit in the Estimates. In fact the difficulties of the position have for the last year or two obliged the Government to take every feasible measure to reduce or restrict its current expenditure." Yet in the face of this necessity compensation allowances to the extent of Rx. 1,113,300 were granted, and the Wazari expedition was undertaken, which cost the Government that year Rx. 195,000, and something more in the succeeding year.

The year 1895-6 shows a surplus of Rx. 1,533,998. This surplus was arrived at by saving of interest to the extent of Rx. 524,800 owing to the conversion of the Rupee Debt from $4\frac{1}{2}$ to $3\frac{1}{2}$ per cent.; by an improvement in Customs Duties to the extent of Rx. 1,882,900, by the Famine Grant being limited to Rx. 1,000,000; and by an increase in Land Revenue, among others, due partly to suspensions carried forward from the previous year and partly to increased assessments on revision of settlements. This year the Chitral Expedition cost Rx. 1,749,700 plus £16,000, besides political expenditure, which comes to Rx. 20,000 (Financial Statement, Paragraph 11). Exchange compensation was estimated to cost Rx. 1,456,500.

In the years 1896-7 and 1897-8 a deficit has been estimated for, chiefly on account of famine expenditure, though Exchange has improved. The improvement under Exchange, according to the estimates of 1896-7 and 1897-8, amounts in the two years to nearly four millions Rx., and the same cause gave the Government in the years 1889-90 and 1890-91 an improvement of over two millions. Still, the Government has been unable to remit taxation to any extent. If the falling Exchange has been the cause of all our financial troubles, it is but reasonable to expect that when the Exchange improves there would be a proportionate relaxation of the pressure, ending in the taxpayer's burden being lightened. It may be urged that the famine renders all remission of taxation out of the question at the present moment. But this is exactly our complaint, that the Government is always content to live from hand to mouth, works up the expenditure to the last pie of its revenues, leaves itself in ordinary years no margin which may be utilised in times of unusual or unexpected difficulties. Famine is not an occurrence which the Government cannot foresee. In fact, successive Finance ministers have referred to it as a contingency which might at any time face the Government. Yet, when it actually comes, it has recourse to borrowing as the only source of help available. In fact, the policy of 1877, that of providing a Famine Insurance Fund from special taxation for that exclusive purpose, has borne no practical fruit. If that policy had not been adopted, there would have been an addition of about twelve millions, to the debt for the purposes of Famine protection; but by the side of a total indebtedness of over 220 millions, this would be a trifle. But at the same time the people have paid more than 25 millions in the name of insurance against famine. The people would have been distinct gainers if there had been no Famine Insurance Fund.

5.—EVIDENCE-IN-CHIEF OF THE HON. SURENDRA NATH BANERJEA.

MAY 17th, 1898.

Qualifications.

I am Honorary Secretary of the Indian Association, and have been so for the last ten years. The Indian Association is a political body which has in view the promotion of the political advancement of the people by every legitimate and constitutional means. It was founded in Calcutta in 1876, and has branch and affiliated Associations in different parts of the country. I am also a Member of the Bengal Legislative Council and have been so for the last four years, having been twice elected by the Calcutta Corporation, of which I am a member. I am also Honorary Presidency Magistrate and Justice of the Peace for the town of Calcutta, and Honorary Magistrate of Barrackpur. I am Chairman of the North Barrackpur Municipality, am Editor of the *Bengalee*, a weekly newspaper in English published in Calcutta, and am Proprietor of the Ripon College, which is an unaided independent College teaching up to the B.A. and B.L. standards and its branches. I was President of the Indian National Congress in December, 1895.

MACHINERY OF EXPENDITURE.

*The inadequacy of
the existing
Financial control.*

Sir Auckland Colvin observes in the course of the evidence given by him before the Royal Commission that Government do not pay sufficient attention to what may be the financial results of the measures they adopt (*vide* page 119 of the Blue Book), and both Sir Auckland Colvin and Sir David Barbour are agreed that Heads of Departments do not take sufficient note of the financial aspects of questions. The Finance Member who is responsible for the financial well-being of the country often finds himself as one against all his colleagues. The situation is complicated by the fact that military expenditure is the most disturbing element in the problem, that such expenditure is too often governed by political considerations, and that His Excellency the Viceroy is personally in charge of the Political Department.

The Secretary of State no doubt may be found to be on the side of economy, though he may take a different view when the Viceroy is opposed to the Finance Member. But when the Secretary of State himself sanctions expenditure which is open to objection, whether on the ground of equity or law, there is no constituted authority to act as a check. The 55th section of the Government of India Act lays down that "except for preventing or repelling an actual invasion of Her Majesty's Indian possessions, or under other sudden or urgent necessity, the revenues of India shall not without the consent of both Houses of Parliament be applicable to defray the expenses of any Military operation carried on beyond the external frontiers of such possessions by Her Majesty's forces, charged upon such revenues." The object of this enactment, as stated by Lord Derby, who was in charge of the Bill in the House of Lords, is "to protect the Indian Revenues." There have, however, been instances

in which the spirit, if not the letter, of the Government of India Act has been departed from, and with the full concurrence of the Secretary of State. In England if any irregular expenditure is incurred, it is at once reported to the House of Commons. The prospect of Parliamentary interference and of the criticisms of the Opposition would act as a check upon irregular expenditure. As regards Indian finance, however, no machinery is provided for independent and effective control. A private member may, indeed, bring up any question of Indian finance before the House; but it is one thing for a private member to act upon his own independent and personal responsibility, and quite a different thing for a duly constituted Parliamentary Committee to look regularly into the accounts of the Indian Government. The so-called Parliamentary control over Indian expenditure is regarded by Indian public opinion as being practically without any value. The Indian Budget is discussed towards the fag-end of the Session before empty benches. As the late Mr. George Yule observed in his own felicitous language: "The six hundred and fifty odd members who were to be the palladium of India's rights and liberties have thrown the great and solemn trust of an inscrutable Providence back upon the hands of Providence to be looked after as Providence itself thinks best. The affairs of India, especially in the Financial Department, have passed with no kind of check whatever into the hands of the Secretary of State. I do not blame the present members of the House of Commons for thus abdicating the functions that their predecessors of thirty years ago assumed. The truth is they have no time to attend to the details of the trust." (Page 74, Congress Report of 1888.) But though Parliament might pay but little attention to Indian affairs, a Committee of the House charged with the particular duty would do justice to it.

Under the enlarged Councils Act of 1892, the Legislative Council of India discusses the Indian Budget, and the Provincial Councils discuss the Provincial Budgets, but they are precluded from moving any resolution, or dividing the Council in respect of any financial question. Even official experts are of opinion (*vide* evidence of Sir Auckland Colvin) that not much benefit is derived either to the people or the Government from these Budget debates. The utility of the discussion of the Budget in the Provincial Councils is considerably diminished when it is borne in mind that the Budget is discussed under the orders of the Government of India only after it has received the sanction of that Government. I had ventured to suggest, by a question which I had put in Council, that the Budget might be submitted to the Government of India, together with the record of the discussions in connection with it, when I was informed, in reply, that the procedure followed was in accordance with the orders of that Government. For the more effective discussion of the Indian Budget, as bearing upon the question of Indian expenditure, the Budgets should be laid before the Councils at least a fortnight before the discussion takes place. The Honourable Mr. Sayani, the Member representing the Bombay Presidency in the Viceroy's Council, complained that they had only a week's time to consider the Budget, and no time to get instructions from their constituents. In the Bengal Council the Budget is laid on the table only a week before the discussion. The practice involves a serious encroachment upon the rights of interpellation, in connection with the Budget, for under the rules of Council at least six clear days' notice has to be given before a question can be put. If this rule is strictly interpreted no questions can be put upon the Budget, if it is presented only a week before the discussion; for the questions will have to be put on the very day that the Budget is presented, which, of course, is impracticable. I understand that in connection with the Bombay Legislative Council, the Budget is introduced at least a fortnight before the discussion.

There is, indeed, no reason for the restriction imposed in connection with the moving of amendments upon the Budget, having regard to the fact that there is a standing official majority in the Legislative Councils in India. No non-official member has the smallest chance of carrying an amendment, if the Government was firmly determined to resist it.

There is no sort of check upon expenditure from the taxpayer's point of view; and this check has been found most useful even in India in connection with the administration of our self-governing local bodies. Finance is their strong point, and the most notable instance in this connection is afforded by the Calcutta Municipality. The financial position of the Municipality has been strengthened under the government of the elected Commissioners, and its credit has greatly improved. The Municipality now borrows at the rate of $3\frac{1}{2}$ per cent. Before 1891, the rate of

interest was 5 per cent. It has gone down to $3\frac{1}{2}$ per cent. What is true of the Calcutta Municipality is true of most other municipalities in Bengal, where the representatives of the ratepayers control the expenditure. It is perfectly true that even if the Members of Council had the right of moving resolutions in respect of financial matters, they would be in a minority under the existing constitution of the Council. But a unanimous, or a nearly unanimous, vote of the non-official members on a financial question would be an index of popular feeling which the Government would not ignore. I do not regard this duty of controlling the expenditure in any sense as a radical proposal or one calculated to weaken the authority of the Executive Government. On the contrary, by focussing the views of the popular representatives, it will afford the Government a valuable index of popular feeling. It is my impression, though I have not been able to verify it, and I state it for what it is worth, that in the Ceylon Legislative Council, if the non-official members are unanimous with regard to any item of expenditure in opposition to the views of the official majority, all action is suspended until the sanction of the Colonial Secretary has been obtained. Some sort of control on the part of the taxpayers has become all the more necessary when it is borne in mind that since 1885 the power of the Finance Minister in checking expenditure has been considerably weakened, owing to the military policy which has been followed in recent years.

As a further check upon expenditure I would recommend that one member of the India Council for each of the three Presidencies of Bengal, Bombay, and Madras, should be elected by the non-official members of the Supreme Legislative Council. Periodical enquiry (once in every ten or twenty years) into Indian affairs by a Royal Commission or a Parliamentary Committee would also ensure the same result. The Indian public look back upon the Parliamentary enquiries of the past with mixed feelings. They regret that these enquiries should have been discontinued; they are grateful for the results which they led to. At the Parliamentary Enquiry held in 1832 Raja Ram Mohan Roy, the most illustrious name in modern India, gave his evidence, and he suggested reforms, one of which, at any rate, the separation of judicial and executive functions, has come within the range of practical politics. The enquiry led to the enactment of the Charter Act of 1833, the 87th Section of which removed a grave disability from natives of India. The subsequent Parliamentary Enquiry threw open the Indian Civil Service to general competition, from which natives of India were not excluded. Since then no Parliamentary Committee has been appointed which has borne any fruit. The people of India regard the stoppage of these enquiries as seriously interfering with their progress in obtaining a due share in the administration of their own country.

Conclusion.

The remedies, therefore, that I would suggest may briefly be summarised as follows:—

1. Members of the Legislative Councils should have the right of moving amendments and dividing the Council with regard to items in the Budget; and the Budgets should be laid sufficiently early before the Councils to facilitate discussion.
2. A Committee of the House of Commons should be appointed to look into Indian accounts.
3. One Member of the India Council in London should be elected by the non-official members of the Supreme Legislative Council for each of the three Presidencies of Bengal, Bombay, and Madras.
4. Periodical enquiries by Royal Commissions or Parliamentary Committees would promote the ends of economy and good Government.

*Provincial
Contracts.*

There is no question in the whole range of Indian finance of more vital importance to administrative progress, or more deserving of serious consideration, than the question relating to the working of the provincial decentralisation system. It was initiated by Lord Mayo chiefly with a view to definitely "limit for the present the expenditure from the general exchequer on certain important branches of civil expenditure, the very branches, indeed, where, from the progressive spirit of the age, the demands for increased outlay have most arisen and would most arise, and in which, from the nature of the case, the Supreme Central Authority is least able to check the requirements of the Local authorities." (Extract from Sir Richard Temple's speech in introducing the Financial Statement in the Supreme Council on the 9th March, 1871.) The hope was also expressed at the time by the same high authority whom I have just quoted, that the new system thus inaugurated "will teach the people to take a practical share in provincial finance and lead them gradually towards a degree of Local self-government,

and will thus conduce to administrative as well as financial improvement." The system underwent a further development in 1877, and a still more remarkable development in 1882 under the auspices of Lord Ripon's Government. The principle was adopted that, "instead of giving local governments 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 was to be devoted to this object. Certain headings were wholly, or with minute local exceptions, only reserved as Imperial; others were divided, in proportions for the most part equal between Imperial and Provincial; the rest were wholly, or with minute Local exceptions only, made Provincial. The balance of transfers being against the local Governments was rectified for each Province by a fixed percentage on its land revenue (otherwise reserved as Imperial) except in Burma, where the percentage was extended to the Imperial rice export duty and salt revenue also. (Resolution of the Government of India, No. 3353, dated Simla, the 30th September, 1881.) The declaration was also made that while on the one hand Local Governments must look for no special aid from the Imperial Government, except in cases of severe famine, the Imperial Government would make no demand on them "except in the case of a disaster so abnormal as to exhaust the Imperial reserves, and to necessitate the suspension of the entire machinery of public improvement throughout the Empire." This reservation was partly modified by the subsequent orders of the Secretary of State, who empowered the Imperial Government to demand contributions from the Local Governments upon ordinary emergencies. Subsequent contracts have proceeded upon the lines of Lord Ripon's scheme, subject to modifications as to the apportionment of shares between the Imperial and the Provincial Governments. Great stress was laid upon the progress of self-government as forming a part of the scheme of decentralization in finance which was referred to as affording an opportunity "for the association of natives and Europeans to a greater extent than heretofore in the administration of affairs." Provincial Governments were instructed to hand over "to Local self-governments considerable revenues at present kept in their hands." This has not been done to the extent contemplated.

Public attention in India has been prominently drawn to this question within the last two or three years, in view of the contracts which have just been concluded. The matter has been discussed in our Conferences, and in the Congress which sat at Calcutta in December, and the general opinion is (and it is an opinion largely shared by Local Governments and Local Officials) that the system, as judged by its practical working for the last twenty-five years, is essentially faulty, and that it needs revision. The term is too short; the resources placed at the disposal of the Local Governments meagre, and in many cases inadequate to meet the urgent needs of domestic improvement; the readjustments are followed by curtailment of domestic expenditure, and by the time the former level is reached the contract period expires and a fresh adjustment takes place, leading to a fresh curtailment of expenditure. The process continues to the detriment of the domestic interests of the country, and it leads to considerable irritation between the Imperial and the Local Governments. A system, which is attended with results such as these, must be pronounced to be faulty and to stand in need of revision.

What strikes one is the very large proportion of National Income which the Central Government reserves to itself as compared with what it allows to Local Administrations.

Taking the accounts of 1895-6, we find it is no less than fully two-thirds of the total Revenues of the country as under:—

Total Revenues	...	...	98.370	—	21.859	Railway Receipts
				=		
			76.511			Crores.
Imperial Share	...	...	51.542			Crores, or 68 per cent.
						Crores Crores Crores
Provincial and Local	...	...	20.8	plus 4.0	=	24.870, or 32 per cent.

"Under our present arrangements, the Imperial Government has share of *debt, army, foreign relations, railways, irrigation works, post, telegraph, mint, &c.*, while almost the entire work of internal ordinary administration is left to the Provincial Governments—a division of services as between the Central and Local Administrations, much the

same as we have in Federal States, and yet in none of these do we find such a large portion of National Income appropriated to the work of the Central Government. In the German Empire it is no more than thirty-five per cent. of the total Revenues; in *Switzerland* and the *United States* the National Revenue is, roughly speaking, divided half and half between the Central and Local Administrations. Surely in a country so circumstanced as India is, and where internal improvement is an object of such paramount and transcending importance, a financial system which leaves so little for Local requirements cannot be regarded otherwise than as fundamentally wrong. Our Imperial expenditure is too high, and our army, according to the evidence of Lord Lansdowne and Sir Henry Brackenbury, is admittedly on a strength beyond our necessities, and in accordance with the requirements of Imperial policy. The army costs, exclusive of Exchange, 23 46 crores, which exceeds the cost of the army of the United Kingdom by close on six crores, and which is equal to the whole army expenditure of the Russian Empire, and amounts to thirty-two per cent. of our Revenue."

	Revenue.	Army Expenditure.	Ratio of Army Expenditure to Revenue.
	(In Millions sterling)		
Russia	115	32.9	21 per cent.
United Kingdom	91.3	17.8	19 "
France	138	25.9	19 "
Germany	185	24	13 "
Italy	72.4	9.4	13 "

The next point that arrests attention in connection with these decentralization measures is that while our National Revenues are increasing, though largely through additional taxation, the Provincial Governments hardly get their fair share of the increase, and with the necessary result that the internal progress of the country is seriously retarded, as shown in the following table:—

Years.	Imperial Sh. (In crores, or Rx. millions)	Provincial.	Total of Imp. and Prov.
1882-83	40.37	16,334	56.70
1895-96	51.64	20,106	72.44

Thus:—

Increase during 14 years:—

	Crores.
Imperial share of Gen. Revenues	11.27
Provincial	4.472
Total	15.7 Crores.

From the foregoing table it will be seen that while our Revenues exclusive of Railway receipts and Local rates have increased by 15.7 crores during the past fourteen years, the Provincial share of the Increase is even less than 5 crores, barely 4½ crores; over 11 crores going into the coffers of the Central Government. The result is that while the Imperial Government has been able to add largely to its general expenditure, especially on military account, even in excess of the country's requirements, the Provincial Administrations have had to be content during the past fourteen years with but restricted increases even under the most useful and necessary heads of charge. It will be seen from the following table that while military expenditure, which has increased by over 6 crores from 1882-3 to 1895-6, the expenditure on some of the most important departments intimately bearing upon the improvement of the people increased only by 3 crores.

(In crores.)			
Imperial Expenditure	1882-83	1895-96	Increase
Army Expenditure	17.100	23.460	6.36
<hr/>			
Provincial Expenditure	1882-83	1895-96	Increase
Law and Justice	3.255	4.047	.792
Police	2.642	4.040	1.398
Education	1.145	1.536	.391
Medical Relief	.692	1.030	.338
Total	7.734	10.653	2.919

The main principles guiding the revisions of the Provincial Contracts are, as stated by Sir A. Colvin in his Financial Statement, 1887 :—

- I. "That the amount of the funds assigned to Provincial Governments need not exceed, or equal, the amount of the expenditure assigned at the time when the Contracts were made; Provincial Governments being expected to provide by their own resources the difference between the assigned revenue and expenditure.
- II. "That the growth of Provincial expenditure during the term of a Contract must be met from growth of Provincial revenue, except in cases where considerable expenditure is incurred by Local Governments to meet the wishes of the Government of India, and to carry into execution projects which are pressed upon it by that Government.
- III. "That the Imperial Government reserves its claim at the expiry of a term of Contract, to such share as the circumstances of the time may make necessary in the increase of revenues which have accrued to the Province during the term of the Contract, but which were reserved to the Provincial Government during such term.
- IV. "That the power of enforcing reduction, on the occasion of a new Contract, of assignments of revenue made at the previous Contract, is a condition implied in the system of Provincial Contracts, and has been uniformly acted on."

Revisions conducted upon these lines necessarily introduce an element of uncertainty into Provincial finance which must interfere with the interests of domestic progress; and it is to be borne in mind that "financial certainty" was one of the aims which the scheme of Lord Mayo had in view. Nor does it appear that Lord Mayo's scheme contemplates periodical revisions of the Contracts.

When the Imperial and Provincial Governments both fairly start together, each with sufficient and sufficiently elastic revenues, it is only right that for all future increase of resources to meet expanding wants, they should rely, except under circumstances of abnormal pressure, on the development of their own respective sources of income. Nothing but harm could result from a periodically recurring attempt, on the part of the Imperial Government in normal conditions to revise its financial relations with the dependent Governments, and resume for its own purposes in the whole or in part any increase of revenue which might have accrued to them. When each has to rely on its own resources, there is the strongest motive to economy and careful management all round.

The financial difficulties of the Indian Government are urged in justification of the present arrangement. They are difficulties which no responsible financial critic could ignore. But these difficulties are either temporary or permanent. If temporary, they can be met by contributions from the Local Governments; if permanent, they can be provided for by permanent adjustments which would take note of such difficulties. The five years' term does not permit of any large schemes of permanent improvement being projected or taken in hand, and an uncertainty and a sense of insecurity hang over every effort of the kind; and both Sir Auckland Colvin and Sir David Barbour are in favour of longer terms being allowed for these settlements.

What is still worse, each time the Contracts are revised a reduced scale of expenditure is adopted on which to base quinquennial assignments, and only moderate increases above the scale are permitted. Thus every fifth year the Provincial resources are cut down, and Provincial progress is sensibly thrown back. The original scheme of the Mayo-Government started with a considerable reduction of grants for the services transferred (cut down almost to the level of 1863-4), and for six years afterwards very little increase of expenditure on the Provincial account occurred. Next, in 1877-8, this almost stationary level of charges (during 1871-6) was taken, with further reductions as a basis on which to regulate assignments for the following quinquennium, room being allowed only for restricted growth; the revision of 1882 was an exception, when no curtailment was effected of Provincial income. But the re-adjustments of 1887, 1891, and now of 1897, have all gone on the old principles—starting with reductions.

There is yet a further liability imposed upon the Provincial Governments, which is, however, a common incident of the system. In cases of abnormal pressure—such as war—the Central Government has the power to demand special contributions from the Provinces. But the reservation goes much further, and contemplates special contributions even in cases of ordinary emergency. In the Mayo scheme the reservation was explicitly made of power to modify the resources granted to Provincial Governments in the event “of some fiscal misfortune, such as a heavy loss in the opium-revenue, or National disaster such as war or severe famine.” In 1881-2 Lord Ripon’s Government repeated the reservation, and in much more explicit terms, and declared “*That the Imperial Government will make no demand on them (i.e., Provincial Governments) except in the case of disaster so abnormal as to exhaust the Imperial reserves and resources, and necessitate a suspension of the entire machinery of public improvement throughout the Empire.*” The reservation so made was one to which no exception could be taken. The Secretary of State, however, considered such qualified reservation inexpedient, and suggested that in all cases of emergency, the Provincial Governments should be liable to be called upon to contribute towards meeting the necessities of the Empire. In 1886 the India Office repeated the suggestion. The reservation as it is now in force is in the sense of this suggestion of the Secretary of State, and largely in modification of the declarations of Lord Ripon’s Government in this regard. Accordingly on three distinct occasions since then, such contributions have been levied (1886-7, 1890-1, 1894-5), but they have been levied in view of ordinary deficits and under circumstances which did not amount to any such “abnormal disaster” as was contemplated in Lord Ripon’s resolutions. The liability of the Provincial Governments to give special assistance in cases of emergency when so interpreted and defined goes beyond what is right and necessary, and furnishes to the Central Government a financial reserve to which, rather than enforce economy and avoid a policy of adventure, it could securely resort in case even of ordinary embarrassments.

Such is our existing system of Provincial finance. Its main features may be thus summarized :—

1. The proportion of National Revenues allotted to Provincial uses is too small and utterly inadequate for Local requirements.
2. While the Revenues of the country are expanding the Provincial Governments do not get an adequate share of such increase for purposes of Local improvement.
3. The Provincial assignments—already so meagre—are further liable to curtailments on revision in favour of the Imperial Revenues every five years. Financially, these settlements have all the evil effects of short-term settlements—taking away all certainty and stability from Provincial Administration and seriously interfering with the even progress of Provincial improvements.
4. The Provincial Governments are, besides, liable to make special contributions, even during the currency of these short-term Contracts, and that, too, in cases of ordinary emergency—a feature of the present arrangements which imports a further element of uncertainty into Provincial finance.

The theory underlying the whole system has thus been laid down by Sir James Westland from his place in the Supreme Legislative Council, in connection with the recent Budget debate. “The Revenues of India,” he said, “are the Revenues of the

Government of India—its constitutional possession. The Government of India is a body created by Act of Parliament, and if reference is made to that Act of Parliament, it will be seen that the Revenues of India are the Revenues of the Government of India, and of that body alone." It is not for me to enter into the legal or constitutional aspect of this question. But the obvious inference which these remarks suggest is that the Provincial Governments, representing the people who contribute the taxes which make up the Revenue, have no part or share in the Revenues of the country, which are at the absolute disposal of the Supreme Government, and that the Supreme Government may dole out these Revenues in any way it pleases. No wonder that the working of the system has been so arbitrary, and has often led to considerable friction between the Supreme and Local Governments.

In Bengal the working of the Provincial System has given rise to much dissatisfaction, and every Lieutenant-Governor since the days of Sir Rivers Thompson has had occasion to protest against it. The Contract of 1877 was very favourable to Bengal, as it made over to the Local Government three principal resources of improvable Revenue, viz., Excise, Stamps, and Registration, subject to the payment of certain progressive sums every year to the Imperial Exchequer. "These three heads of improvable Revenue, made over to the management of the Provincial Government, with an income of 165½ lakhs in 1876-7, showed an income of not less than 213 lakhs in 1881-2. The whole of the increase belonged to the Local Government, subject to the reservation to which I have referred. The result was that the Local Government, besides making a special contribution to the Imperial Revenue of 20 lakhs in time of need, increased the staff of executive and judicial officers, provided increased facilities for the administration of justice, increased the Grant on Education, built schools, colléges, and hospitals, &c." (*Vide* page 22 of the Honourable Mr. Risley's Speech in the Bengal Council on the 1st April, 1893.) Along with these terms Provincial responsibility in respect of public works was enforced, and Local Governments were made responsible for great public works constructed for the benefit of the Province. Bengal was the only Province, however, which was then considered able to bear the whole of its own burden (page 16, Mr. Risley's Budget Speech of 1st April, 1893). The Public Works cess was accordingly levied, now yielding about 40 lakhs of rupees a year, for the maintenance and the payment of the cost and interest charges of certain Public Works, such as the Orissa Canal, Midnapur Canal, &c. Then came the Contract of 1882, which withdrew from the Bengal Government its full share in Excise, Stamps, and Registration. Favourable as this Contract was to the rest of India it was disastrous to Bengal.

Sir Rivers Thompson, who was Lieutenant-Governor of Bengal when the Provincial Contract for 1882-7 was in force, thus observed in his review of his five-years' administration:—

"Sir Ashley Eden enjoyed the advantage of a Provincial Financial Contract with the Supreme Government, which secured to the Province under his control the entire benefit accruing from improved administration, and which in the event, yielded financial results surpassing all anticipation During the last five years the financial history of Bengal has been altogether different. The Contract of 1877 was succeeded by a settlement which left little scope for the development of the Provincial Revenues, and which speedily necessitated a serious contraction in the scale of Provincial expenditure. It has often been difficult to provide adequately for the ordinary requirements of the Public Service, and it has been necessary rather to seek for opportunities of effecting economies, than of introducing administrative reforms."

The result of the Provincial Contract of 1882-7 was that some important measures, which Sir Rivers Thompson intended, could not be carried out, owing to want of means. In September, 1884, before Sir Rivers Thompson could fully realise the financial results of the Provincial Contract for 1882-7, the Government of Bengal, in reporting to the Government of India upon the proposal of the Education Commission, admitted its responsibility for increased expenditure on education to the amount, finally, of 14 lakhs a year (over and above the amount of 34 lakhs, which it was then annually expending) if the recommendation of the Commission were to be carried out to anything like completeness. Of the total increase, 10 lakhs were to be devoted to the direct improvement of primary schools. After a review of the ways and means at his disposal, the Lieutenant-Governor estimated that at the then existing rate of development of the revenue he would be able to work up to the total additional grant required in nine years by a continuous enhancement of the educational allotment to

*The Working of
the System in
Bengal.*

the amount approximately of Rs. 150,000 a year. The progress of events quickly falsified his anticipations. The Excise Commission was then sitting, and after it had finished its labours, several of its recommendations were partially adopted; the result was that the average annual yield of the Excise Revenue from 1883-8, was about 4 lakhs less than the revenue yield of 1883-4. The result was that the allotment for education in the sanctioned estimates for 1885-6 instead of being increased by one and a-half lakhs was reduced by a lakh." Let us take another case. It is a notorious fact that in Bengal the salaries of ministerial servants attached to the Revenue and Magisterial courts are very low, and it has long been felt that their salaries should be raised with a view to their efficiency. Sir Rivers Thompson appointed a Salaries Commission in 1885, consisting of some high officers of Government. In appointing the Commission, the Lieutenant-Governor observed :—

"The rise in prices and the cost of living, which was anticipated by Mr. Strachey in 1865, has continued at a constantly accelerating speed, and for some time past signs have been apparent that the effect of the reforms introduced in 1868 have been exhausted, and that a further advance must be made if the ministerial service is to be maintained in a condition of efficiency." The Commission, of which the Honourable Mr. Grimley, now one of the Members of the Board of Revenue, was a member, found that the purchasing power of the rupee had gone down by 75 per cent, since 1868, and they recommended that the salaries of ministerial officers ought to be increased, not only in the interest of the officers concerned, but also in the interests of the services and the public at large. But the recommendations of the Commission were not eventually given effect to. They have not yet been carried out. This year a sum of three and a-half lakhs of rupees were provided for in the Local Budget with a view to give them an increment; but the Government of India would not sanction the amount.

Sir Charles Elliott, late Lieutenant-Governor of Bengal, similarly complained of the manner in which the Provincial Contracts were worked in his time (and he was familiar with two Provincial Contracts, the fourth and the fifth). Thus he wrote in a resolution dated the 5th November, 1895, in taking a retrospect of the Provincial Revenues during his administration of five years:

"On a review of the entire period, it will be seen that, besides the extraordinary benevolence of 10 lakhs levied at the commencement of the period, Bengal has contributed within the last five years no less than Rs. 67,46,000 to meet the necessities of the Empire, over and above the heads of receipts ordinarily classed as Imperial, and in addition to this there has been a steady growth in the receipts divided in varying proportions between Imperial and Provincial Revenues, which, while it swelled the Provincial Revenues in the manner described above, yielded to the Supreme Government an increase of nearly fifty-one lakhs."

Sir Alexander Mackenzie, the present Lieutenant-Governor of Bengal, thus spoke from his place in the Supreme Legislative Council on the occasion of the debate on the Budget in the year 1896 :—

"I must say I deprecate the way in which these quinquennial revisions have too frequently been carried out. The Provincial sheep is summarily thrown on the back, close clipped, and shorn of its wool, and turned out to shiver till its fleece grows again. The normal history of a Provincial Contract is this—two years of screwing and saving and postponement of works; two years of resumed energy on a normal scale; and one year of dissipation of balances in the fear that if not spent they will be annexed by the Supreme Government, directly or indirectly at the time of revision. Now all this is wrong, not to say demoralising. I say that the Supreme Government ought not to shear too closely each quinquennium."

Sir Alexander Mackenzie was equally emphatic in his condemnation of the manner in which the Provincial Contracts have recently been concluded with the Provincial Governments. He thus observed :—

"I must, however, be allowed to throw out one general suggestion with reference to the policy of Provincial Contracts as at present worked. I do not entirely accept Mr. Sayani's views of these Contracts, but there is much force in some of his trenchant criticism. We have, as he has pointed out, the authority of Sir David Barbour, in his evidence before Lord Welby's Commission, for the statement that the present practice is not in accordance with the original intention. He says, 'I must say that when the Provincial system was started, I do not really think it was intended that the Provincial Government should have a portion of their resources taken away

periodically.' If you take all the surplus, you, to a certain extent, remove all the inducements to the Provincial Government to economise. It is a weakness—the periodical revision may be necessary under present conditions, but it diminishes the value of the system. Take the Province of Bengal, with a population of between seventy and eighty millions of people—well, that province is big enough to have an independent financial system.' He goes on to explain that, owing to financial exigencies, the Government of India takes at revision not only its own share of the increase in the divided revenues, but also a portion of the increase that has accrued to the Provincial Government. I do not know that I agree with Sir David Barbour when he says he 'would rather see the Central Government embarrassed than the Provincial Governments starved,' but he is certainly dissatisfied with the existing system. Again, my predecessor, Sir Charles Elliott, speaking with all the authority of the President of the Financial Committee of 1885-6, and an ex-member of the Supreme Council when the Bengal Contract of 1892-7 was under consideration, strongly urged a modification of the present system, 'so that the Contract should be a continuing one, not subject to sudden ruptures and renewals, but that its leading principle should be that all the revenues of the Province should be Provincial, the Government of India receiving a certain percentage on the entire sum which should be the contribution of the Province to Imperial Government and defence.' He also represented 'the unreasonableness and the hardship of requiring every Province to give up a constantly increasing share of its revenues whenever a new Contract is framed.' I am not now concerned with defending or advocating Sir Charles Elliott's particular proposals; I take, perhaps, a stronger view than he did of the claims and responsibilities of the Imperial Government. But I quote him as being, with all his unique experience, profoundly dissatisfied with the present system. Sir J. Westland will probably tell us, as he told us last year, and has quite recently told me, that Provincial Governments do not understand the system, or its *raison d'être*. My Lord, I think we do understand it—at any rate, we have learnt by suffering what we have to accept as the authoritative interpretation of it. But what I venture to urge is this, that the Government of India should, with the consent of the Secretary of State, refer the whole question to a conference at which the Provincial Governments should be adequately represented, and endeavour to lay down the lines of a system which would be satisfactory to the Provincial Governments, while meeting fairly the undoubted exigencies of Imperial finance. No system can be sound which, with all its admitted advantages of diminishing Imperial interference in petty details, leads to so much quinquennial bickering and heartburning, and involves so much uncertainty and haphazard in Provincial administration. My Lord, I wish to do nothing to diminish the power or prestige of the Imperial Government. My instincts and experience are all in favour of a strong central Administration. But I do not think that the present system is favourable to strong administration. It places the Imperial Government in what seems to me a false position, a position of apparent antagonism to its own local agents."

The Honourable Mr. Stevens, Senior Member of the Board of Revenue, and if I may be permitted to add, one of the most respected members of the Indian Civil Service, thus referred in the course of the recent debate in the Supreme Council to the many urgent reforms, including the increase of the salaries of the ministerial servants, which in consequence of the recent Provincial Contract, had to be postponed:—

"But it will not have escaped notice that, during the first three years of the quinquennial period, the balances were but little in excess of the amount which is taken to represent the minimum compatible with the convenience of the Administration, and there could be no greater error than to suppose that there are not highly important improvements, necessary to good government, for which money is urgently needed. I do not propose to enumerate these—still less to support their claims to consideration by elaborate arguments which could have no immediate practical effect. I will mention but one or two.

"In the first rank I would place the reconstitution of the General Hospital, and the improvement to something approaching an European standard of the other large hospitals in Calcutta. The condition of these most important institutions is notoriously very unsatisfactory; yet they are not of mere provincial utility, as regards the patients who resort to them, or as regards their educational functions; and it is not too much to say that, situated as they are in the metropolis of India, and manned, as they are,

by officers selected for their efficiency by a central authority, they ought to be models for the Empire. That they should be thoroughly adapted for their purpose demands, not merely a preliminary outlay, but a persistent and recurrent expenditure.

“ The case of the ministerial officers has always seemed to me to be, in the main, very hard for them and injurious to the interests of government. Salaries were for the most part fixed long ago, but while these have remained practically constant, the expense of living has been gradually and steadily rising, so that the standard either of living or of honest service must have of necessity fallen. I do not attach much weight to the argument that when a post of even trifling value is vacant, a host of applicants at once appears. For this there may be more than one reason; but the obligation remains on Government to pay its servants enough for them to live on with sufficient comfort in their several stations. In this direction, then, there is ample and urgent need for improvement; and here, too, the necessary expenditure is not spasmodic and occasional, but continuous.

“ I am confident that the personal recollections of the Financial Member of his own experiences as a Magistrate in Bengal will support me in my assertion that, considering the dangers, the responsibilities, the powers, and the temptations which are inseparable from police work, the officers of that Department, especially those in the lowest grades, are most inadequately paid. Here, too, it is constant expenditure that is required.

“ Another serious want is money for the assistance of local bodies for sanitary improvement; especially for the provision of drinking water. I listened with interest to the remarks of the Finance Minister on this subject, but he has failed to convince me. It does not follow that a grant in aid of the supply of drinking water in one Province comes from the taxpayer of another. If aid is given in Bombay, there are taxpayers in Bombay. If aid is given in Bengal, there are taxpayers in Bengal—many more of them than in any other Province. The Commissionership of Patna alone contains nearly as many inhabitants as the whole Presidency of Bombay! The requirements of modern sanitation are growing more rapidly than the resources of these Local Authorities, and, if they are to be met at all, demand the assistance of the Government. Such assistance, spread over the whole area of this great Province, calls again for increased and continuous expenditure.”

Sir Anthony MacDonnell, Lieutenant-Governor of the North-Western Provinces, made a similar complaint last year, from his place as President of the Legislative Council of the North-West Provinces.

Thus observed Mr. Risley in his Budget Speech in 1899, contrasting the system of decentralisation of Finance in Bengal with similar systems in other countries:—
“ In India, on the other hand, no attempt is made to set apart certain kinds of taxation as exclusively Imperial, and the division is effected, by assigning arbitrary fractional shares to the Provincial Governments. Similarly, the amount of contributions levied, from time to time, by the Imperial Government is not regulated by any intelligible principle, but varies like the mediæval benevolence, according to the necessities of the case.”

That these complaints, on the part of high official authorities, are not unfounded, will appear from the following table, which, on my requisition, was supplied to me by the Bengal Office.

The following table shows the results of the two Contracts :—

(ooo's omitted)	1897-8		1892-3	
	Imperial.	Provincial.	Imperial.	Provincial.
Principal Heads of Service	12,79,17	3,72,41	13,10,21	3,03,43
Interest	16,24	3,09	15,46	1,62
Civil Debts...	—	39,33	—	41,05
Miscellaneous	2,87	11,29	3,79	9,71
Railways	2,23,50	—	1,51,00	32,00
Irrigation	—	24,16	—	24,14
Civil Works	—	4,45	—	4,56
Total	15,21,78	4,54,73	14,80,46	4,16,51
Gross Total	19,76,51		18,96,97	
Percentage on total	77	23	78	22

From this table it will be seen that under the Contracts of 1897-8 and 1892-3, more than three-fourths of the Revenues of the Province were absorbed by the Imperial Exchequer and were devoted to Imperial purposes, and that less than one-fourth only was left for the most urgent needs of domestic improvement. The Provincial share practically remains the same for ten years, although Bengal is the most progressive of the Indian Provinces.

In consequence of the inadequacy of funds for Provincial purposes, the interests of education and of the administration of justice have not received the measure of attention which they deserve. The sums provided for under the head of Education, were:—for 1895-6, Rs. 26,07,890; for 1896-7, Rs. 26,75,000; for 1897-8, Rs. 27,46,000. I may here remark that the Budget estimate for 1896-7 provided an expenditure on education of Rs. 27,76,000, but the amount actually spent was nearly a lakh less, and the estimate for 1897-8, although in excess of the revised estimate for 1896-7, is nearly thirty-thousand rupees less than the Budget estimate for 1896-7. His Honour the Lieutenant-Governor remarked, in his Budget Speech from his place in the Bengal Legislative Council on April 4th, 1896:—“I admit that Bengal could usefully spend a much larger sum upon Education, and if our finances continue to prosper, I hope to increase the grant considerably.” (Council Proceedings for 4th April, 1896, Page 184.) Here we have what I take it as an admission, though undoubtedly a guarded admission, as to the inadequacy of the grant upon Education, coming from the highest authority in the Province. “Bengal could usefully spend a much larger sum” than what had been provided for in the year 1896-7, and yet the whole of the sum provided for that year was not spent. The Budget Estimate for 1896-7 provided for Rs. 27,76,000; the Revised Estimates came up to Rs. 26,75,000, just a lakh of rupees less than the Budget Estimates. The interests of education in Bengal have suffered in another way, owing to the strain upon Provincial Funds. Hitherto a part of the cost of Education in the interior, used to be borne in some districts by the Road Cess Fund. Under recent orders of Government, the Road Cess Fund is to be devoted exclusively to the maintenance of communications, tanks, bridges, &c. The local schools have thus to be entirely maintained out of the proceeds of pounds and ferries, and a practically fixed grant, which the Government makes. The result has been that some district schools, which have been in existence for a long time, have had to be closed. It is a complaint which the Indian public have more than once repeated, that in consequence of the pressure upon Provincial funds, roads and communications, which used to be maintained out of Provincial funds, have been thrown as a charge upon local funds, and this source of Revenue available for local purposes has thus been diverted from the maintenance of village tanks and roads to the maintenance of communications previously maintained from the Provincial Revenues. There can be no question but that the expenditure on Education per head of the population is the lowest in India, as compared with other parts of Her Majesty's possessions, as will be seen from the following table:—

Name of Country.	Population.	State Expenditure on Education.	Expenditure per head.
United Kingdom	39,134,116	£10,032,835	5s. 1½d.
Ceylon	3,008,466	Rs. 604,199	3as. 2½p.
India	221,172,952	Rs. 91,09,723	7.9 p.
Natal	46,788	£40,680	17s. 4¾d.
	(only white population)		
Cape Colony ...	1,527,224 *	£176,190	2s. 3d.
Canada	4,833,239	8,008,967 dollars	1.6 dollars
New South Wales	1,132,234	£738,810	13s.
Victoria	1,140,405	£665,394	11s. 8d.
Austria	23,707,906	14,821,621 florins	•6 of a florin
France	38,343,192	192,986,340 francs	5 francs
Germany	51,758,264	69,305,000 marks	1.3 marks
		(on Elementary Education only)	
Russia	129,545,000	22,145,000 roubles	•17 of a rouble

* Including Kaffirs, who are four-fifths of the population, on whose education, however, very little is spent.

The expenditure under the Courts of Law in Bengal has been Rs. 88,26,340 for 1895-6; Rs. 88,90,000 (Revised Estimates) for 1896-7; and Rs. 89,42,000 (Budget Estimates) for 1897-8. There has been some increase, though part of it no doubt has been due to Exchange Compensation allowance. Yet there is nothing about which there have been such frequent complaints as the law's delays, owing to the inadequate number of Civil judges dealing with petty Civil cases. That the number of these Munsifs, as we call them (Civil Judges of the first instance), is inadequate to the growing demands of litigation, will appear from the following table which was laid before the Bengal Legislative Council in reply to a question put by me:—

1 Year	2 Number of Munsifs.	3 Original suits disposed of under ordinary procedure.		4 Original suits disposed of under small cause court procedure.		5 Total	6 Average number of cases disposed of per Munsif.
		Contested	Uncontested	Contested	Uncontested		
1890	262	77,060	244,673	11,168	74,908	407,809	1,556
1891	275	76,815	252,339	12,660	91,075	432,889	1,574
1892	285	84,729	267,647	18,988	137,804	509,168	1,786
1893	289	82,170	268,210	21,610	151,835	523,825	1,812

From the above it will be seen that while the number of cases increased by nearly 28 per cent., the munsifs increased by 10 per cent., and yet according to Mr. Justice Prinsep, there was a surplus of nearly 14 lakhs of rupees out of Court fee stamps. (Page 123, Gazette of India, March 27, 1897.) In this connection I would observe that the European Chamber of Commerce in Calcutta, a highly influential body, has recently memorialised the Government with a view to raising the pay of the Judges of the High Court.

The remarks which I have made above with regard to education and to law and justice apply with greater or less force to all departments of Civil Administration. The lower grades of Police in Bengal and the ministerial officers get virtually the pay which was fixed thirty or sixty years ago, though the price of food has increased 75 to 100 per cent. And Administration is starved in a variety of ways, and all domestic improvements retarded, while at each quinquennial settlement, the Imperial Government demands and obtains from the Provincial Government a large share of the revenues of the country.

The proposals which I would venture to submit in connection with the Provincial Contracts are these:—

1. That Sir Charles Elliott's suggestion which has been laid before the Commission by Mr. Gokhale should, if possible, be adopted. It is a proposal which would avoid revision, afford fiscal certainty, place the local administrations in possession of adequate funds to carry on domestic improvements, and at the same time the Provincial revenues would be available for Imperial purposes which would be the first charge upon these revenues.

2. If, however, it should be found impracticable to accept this suggestion for reasons with which I am unacquainted, I would say that the period of Contract should be raised from five to ten years, that the terms of the Contract on the occasion of each revision should be laid before the Provincial Councils for discussion before final submission to the Supreme Government, the Council being empowered to move amendments in connection with the proposals submitted, and that if the Government of India should be unable to accept the terms to any serious extent (say, within fifty thousand rupees), the matter should be referred to the Secretary of State for final decision. As for allotments they should be made with due regard for provincial needs and wants, and not with reference to past expenditure or past allotments.

THE GROWTH OF EXPENDITURE.

Services.

The question of the wider employment of the people of India in the public service of their own country is more or less a financial problem. The expenditure has gone on increasing, especially in the Military Department; and Indian public opinion regards the growth of Military expenditure as utterly beyond what the country can bear, and as seriously interfering with legitimate expenditure on the most necessary

domestic improvements. The people of India who are capable of forming a judgment on the subject are at one with Sir H. Brackenbury in the opinion that the cost of the portion of the Indian Army in excess of what is necessary for maintaining the internal peace of the country should be met from the British Exchequer, and the expenses on the salaries of the European portion of the Army ought to be fairly apportioned between England and India. Until this is done the resources of India will not be found equal for the purposes of good and progressive Government, and no improvement is possible in the condition of the masses. By the wider employment of the people of India in the public service economy would be introduced and an impetus imparted to the intellectual and moral elevation of the people. Ten years ago, the Public Service Commission presided over by the late Sir Charles Aitchison, at that time Lieutenant-Governor of the Punjab, and consisting of some of the most distinguished officials and non-official representatives of the day, reported upon the question of public employment in India. The gist of their recommendations may be summarized as follows:—That indigenous agency should be more largely employed in the public service, that the recoupment of the official staff in England should be curtailed and advantage taken of qualified agency obtainable in India. In other words, the Provincial Service recruited in India should be the backbone of the administrative agency, subject to European supervision and control. "Considerations of policy and economy alike require," observed the Commission in their Report, "that so far as is consistent with the ends of good government, the recruitment of the official staff in England should be curtailed and advantage taken of qualified agency obtainable in India." As a matter of fact, however, the higher appointments in almost all branches of the Public Service are held by Europeans, although more than ten years have elapsed since the Commission have submitted their Report. The Public Service Commission found in 1886 that out of 1,015 officers in the superior Engineer establishment, so many as 810 were non-domiciled Europeans, 119 Europeans domiciled in India, including Eurasians, and only 86 were natives of India. (Page 122, Public Service Commission Report). The Commission observed, to use their own words, recruitment from the Cooper's Hill College as being at "present excessive." We find, however, that at present there are 800 engineers of the superior establishment, of whom only 96 are Indians.

The Public Service Commission recommended that one-third of the Judgeships should be held by members of the Provincial Service, the total number of District and Sessions Judges is 126, out of these five only are Indians, according to Mr. Jacob's table. This cannot be correct, for in Bengal alone we have seven District and Sessions Judgeships held by members of the Statutory Service. But even in Bengal, which is considered to be the most advanced province in the matter of the employment of natives of India in the Public Service, the percentage recommended by the Public Service Commission has not been attained in regard to a class of appointments for which natives of India are considered to be especially qualified; for out of thirty Districts and Sessions Judgeships only seven are held by members of the Statutory Service. According to the recommendation of the Public Service Commission ten of these appointments should be held by them. Further, according to the recommendations of the Public Service Commission one membership of the Board of Revenue, one Commissionership of Division, one Under Secretaryship to Government, one Secretaryship to the Board of Revenue should be excluded from the list of reserved appointments and should be held by members of the Provincial Service. With one exception, nowhere are these appointments held by members of the Provincial Service. In the North-West Provinces the Secretaryship to the Board of Revenue is held by a member of the Provincial Service. As members of the Statutory and Provincial Services draw two-thirds of the salary attached to the reserved posts, when they hold such posts, there would be considerable saving by giving fuller effect to the recommendations of the Public Service Commission. On the Bengal Establishment there are 267 civilians, including members of the Statutory and Provincial Service holding Civil Service appointments, of whom 24 are Indians, and 243 are Europeans. The monthly salaries, including the allowances drawn by the Indians, come up to Rs. 30,000; those drawn by the Europeans come up to Rs. 4,00,000, in round numbers.

In the same way in the Police Department the higher appointments in Bengal are practically monopolised by Europeans, though the Public Service Commission distinctly recommend (page 120 of the Report) "that endeavours should be made to introduce a reasonable proportion of native officers, due regard being always had to

*Covenanted
Appointments.*

*The Police
(Bengal
Government).*

the efficiency of the service." Including the Calcutta Police there are 108 of these appointments from the post of Superintendents and upwards. Of these 101 appointments are held by Europeans and seven only by natives of India. The monthly salaries, including allowances of the European employees, come up to Rs. 60,000 in round numbers, the monthly salaries of the native employees come up to Rs. 3,000 in round numbers. In this connection I may mention that a competitive examination is held in Calcutta and another in London for recruitment to the higher offices in the Police. From these examinations natives of India are excluded, although there is nothing to prevent their appearing at the open Competitive Examinations for the Indian Civil Service, provided, of course, they complied with the necessary terms and conditions. There seems to be no reason for this exclusion on the ground of race; for the Indian District and Assistant Superintendents of Police have done their work admirably; and one of them recently distinguished himself by the capture of a number of dacoits, as will be seen from the following report in the newspapers:—

"Babu Girindra Chunder Mukerji, Assistant Superintendent of the Bengal Police, had an encounter with five dacoits on the road connecting Ichhapore and Shamnagar, on Saturday night. The dacoits attacked the coachman of the hackney-carriage, in which the Police Officer was driving from Naihatty to Barrackpore at midnight. Hearing the noise, he jumped out of the carriage, and caught the men. They were then placed inside the carriage and brought to the Barrackpore Police Station. They will be tried by the Deputy Magistrate of Baraset."

Further, the exclusion of natives of India from the examinations which I have referred to is in direct conflict with the terms of the Proclamation of Her Majesty of the first November, 1858, which, in clear and emphatic terms, laid down that merit was to be the sole test of qualification for office in India, and that Indian subjects, of whatever race or creed, were to be freely admitted to all offices, the duties of which they were qualified by their ability, education, and integrity duly to discharge.

In Bengal burglaries and other offences against property are believed to be on the increase, and the people of Bengal attribute this partly to the want of detective power in the European heads of the District Police, and to their want of familiarity with our customs and language. It is a notorious fact that a district Superintendent of Police is unable, through his ignorance of the language of the people, to enquire into the ordinary cases of thefts and burglary; and the larger employment of Indians in the Police would, therefore, add to the efficiency of the force, while reducing the total expenditure.

*Public Works
Department
(Bengal).*

In the Public Works Department we find the same thing. There are 69 appointments in the superior establishments, of which 53 are held by Europeans, and 16 are held by Indians. The total monthly salaries, including allowances drawn by the Europeans, come up to Rs. 49,000, in round numbers; the monthly salaries paid to the Indians come up to Rs. 6,000, in round numbers.

Opium Department

In the Opium Department, excluding the Opium Agents and the Factory Superintendents, who are covenanted civil and medical officers belonging to the Indian Medical or the Indian Civil Service, we find there are 27 Sub-Deputy Opium Agents, classified under five grades, in the Civil List of the Bengal Presidency, corrected up to 1st January, 1897. Together, their salaries come up to Rs. 17,600. Not a single native of India has a place in these grades, although the Public Service Commission recommended "equality of treatment of all classes of Her Majesty's subjects" in regard to their appointment to offices in this Department. Out of 44 Assistant Sub-Deputy Agents, there are only 9 who are natives of India. Their monthly salaries come up to Rs. 2,250. The monthly salaries paid to the European employees come up to Rs. 10,400.

*Customs
Department.*

With regard to the employment of the natives of India in the Customs Department, it may not be out of place to quote the remarks of Sir Charles Trevelyan:—"There are whole classes of employment," said Sir Charles Trevelyan, "for which the natives are specially qualified. The natives are specially qualified for Revenue functions. The whole of the appointments in the Customs might be filled by natives." But what are the facts? With one exception, the superior appointments in the Customs Department in Calcutta are filled by Europeans. Their total monthly salaries come up to Rs. 12,360. There is not a single Hindu or Mahometan name to be found among the officers of the Preventive Service, although the Public Service Commission recommended that "there is no ground for the exclusion of qualified candidates of any race from the appraiser's or the Preventive Branches of the

Department." The Public Service Commission point out that " native Christians in Bombay have been employed in the Preventive Service, while a Brahmin Preventive Officer in Madras is admittedly efficient, and in discharging his duties has experienced no difficulty owing to his race." (Page 97, Public Service Commission Report.) I have been informed that a Parsee gentleman so efficiently performed his duties as an appraiser in the Bombay Customs Department, that he was asked by the authorities, after he had retired on pension, to *rejoin* his appointment on the passing of the recent Tariff Act imposing duties on imported goods.

In 1877 there were 67 Commissioned Medical Officers, of whom 5 were Indians. There were, in addition to the above, 28 uncontracted Medical Officers. Of these 7 were apothecaries (all Europeans) and 3 were Indians. In 1887 there were 62 Commissioned Medical Officers, of whom only 6 were Indians. There were 29 uncontracted Medical Officers, of whom only 4 were natives of India, the other 25 were Europeans and Eurasians (13 apothecaries and 12 non-military medical men). There were 142 Assistant Surgeons. In 1897 there were 66 Commissioned Medical Officers, of whom only 4 were Indians. Thus, practically, the number of commissioned officers on the Bengal establishment who were natives of India, remained stationary for a period extending over twenty years, from 1877 to 1897. In fact, the number in 1897 was slightly less. In 1897 there were 36 uncontracted Civil Medical Officers, of whom only 4 were Indians, the rest were Europeans and Eurasians, 25 were apothecaries, and 7 non-military Europeans. The total amount of monthly pay drawn by the commissioned officers in 1897 was Rs. 66,024, out of which the four Indians get Rs. 3,870 per month. There are 138 Assistant Surgeons, all Indians, drawing a salary of Rs. 26,296 among them. Thus it will be seen that the 62 European commissioned officers draw more than double the salary of all the assistant surgeons in Bengal put together, whose number, it should be remarked, is double the number of the commissioned officers. Roughly speaking, the European establishment, superior and subordinate, costs about Rs. 75,000 a month; the native subordinate establishment, consisting of 138 Assistant Surgeons, costs about Rs. 26,000 a month. The European establishment thus costs about 75 per cent.; the Native 25 per cent. It will thus be seen that while the number of apothecaries holding the higher appointments has increased by over 300 per cent., the number of Natives of India employed has actually decreased. There is a distinct tendency to put the apothecaries who are now called Assistant Military Surgeons, over the heads of Indian Assistant Surgeons, although their medical training is inferior to that of the Indian Assistant Surgeons. Appointments have been taken away from the Indian Assistant Surgeons and given to the Military Assistant Surgeons. Their status has been improved. They begin on a salary of Rs. 75 a month; the assistant surgeons begin on Rs. 50 a month as supernumeraries. The pay of the Assistant Surgeons was fixed about sixty years ago as follows:—3rd grade, Rs. 100; 2nd grade, Rs. 150; and 1st grade, Rs. 200. There are, besides, a few prize appointments which carry a higher salary. The scale of pay remains unchanged after sixty years; notwithstanding the petitions presented to the Government on their behalf; notwithstanding that the pay of the subordinate judicial and executive services has been raised; and notwithstanding the fact that the price of food has more than doubled itself within the last sixty years. While the highly paid officers of Government receive Exchange Compensation Allowance, it is remarkable that this deserving class of Indian public servants should continue to draw a scale of pay which was fixed for them sixty years ago.

The Medical Service may be so organized as to lead to considerable economy without interfering with efficiency. There are at present (July, 1896) about 375 Commissioned Medical Officers in Bengal, besides 25 Military Assistant Surgeons who have received honorary commissions. Of the Medical Officers who have received their commissions in England about one-half are employed on military duties, mainly in military charge of native regiments. The remainder are in civil employ. The medical charge of a native regiment may with advantage be held by a native Military Assistant Surgeon instead of the more expensive commissioned European Medical Officer.

At present to each native Regiment, as well as to each detached wing or squadron, besides one Commissioned Medical Officer, one, or generally two, Hospital Assistants are attached for duty. These last receive a medical training in vernacular for three years, commence their duty on Rs. 20 a month, reaching the maximum of Rs. 80 during their service of thirty-two years. The Commissioned (European) Medical

*Medical Services
(Bengal).*

*Reorganisation of
the Medical
Department.*

Officer, when in charge of a Regiment, commences with a minimum of Rs. 386 per month, plus on the average 12 per cent. on his pay as Exchange Compensation Allowance. In a Cavalry Regiment he draws Rs. 65 in addition for Horse Allowance. The pay increases according to the length of service, and there is nothing to prevent him from holding the medical charge of a Regiment for the entire period of his service. Thus, after twenty years' service, he may draw Rs. 1,000 per month—exclusive of allowances—for doing the same work for which he received Rs. 386, plus allowance when he joined the Service. I submit there is no necessity for keeping up such an expensive system, for the following reasons:—The duties of a Military Medical Officer are of two kinds; first, such as those that devolve upon him in cantonments, and those that he is called upon to perform in war-time. In cantonments the average daily sick in a Regimental Hospital is under four per cent. of the strength. That is, in a Regiment of between 800 or 900 men the numbers of sick Sepoys present in hospital rarely exceeds twenty or twenty-five. In a Cavalry Regiment the number is considerably less. The cases as a rule are mostly of a trivial nature, and can be easily treated by a properly qualified native Assistant Surgeon. I consider it an unnecessary waste of money to pay 800 or 1,000 Rs. a month to look after twenty sick Sepoys, most of whom are in hospital for very trifling complaints. As for the British officers attached to a native Regiment, I would suggest that they and their families may be looked after by an officer of the Army Medical Staff. Excepting in the Punjab frontier and Assam there is always a detachment of British troops wherever native Regiments are stationed. The Army Medical Staff Officer in medical charge of the British troops can, for a small additional consideration, look after the British officers and their families. On the Punjab frontiers there are generally two native Regiments with a battery of artillery stationed at one place. The senior Medical Officer also performs the duties of the Civil Surgeon of the Station. I would suggest that one Army Medical Staff Officer with a sufficient number of native Assistant Surgeons can perform all the duties just as well and far more inexpensively than what obtains at present.

As for the Medical Service in war time it is admitted that the present arrangement is unsatisfactory. The greatest difficulty is experienced to obtain a sufficient number of Medical Officers. The only alternative is to engage a large number of Commissioned Medical Officers for whom, as I have shown above, there is hardly any work during peace time. The remedy I would suggest is that a sufficient number of native Military Assistant Surgeons may be trained in the country—paid on the scale of Civil Assistant Surgeons, and who will perform all the professional duties—the administrative portion of them being left to experienced officers of the Army Medical Staff. In place of the present system of imperfectly qualified Hospital Assistants and a limited number of very highly paid Commissioned Medical Officers there will be a large number of properly qualified men who will, for all practical purposes, be quite equal to their duties during peace or war.

The present Civil Medical system is open to greater objection. A Civil Surgeon of a district is supposed to look after one or two Hospitals at the Head-quarters of a district. Generally speaking, he is in charge of the district jail—not only as a medical officer but as its superintendent. He is the Superintendent of Vaccination for the district as well as sanitary adviser to the head of the district. This by no means finishes the category of his duties. A Lunatic Asylum—a Leper Asylum or a Blind Asylum—sometimes all three, are thrown in the lot. He is also responsible for the meteorological returns of his district. First, as to Hospital work. At places like Benares, Agra, Lucknow, the Civil Surgeon is supposed to look after over 125 beds in the different Hospitals scattered through the town; while at Jessore, Faridpur, Noakhaly, the number of beds varies between ten and twelve. It will strike most people that 125 patients are more than what can be properly attended to by a single medical officer, and that looking after five or six patients in hospital is hardly exhaustive work for one medical man. But such is the curious anomaly of the system, that not only the same emoluments are received by the two Medical Officers so differently situated, but the one who has almost nominal work to do can by the present arrangement draw more pay than his infinitely more hard-worked *confrere*. To do away with all these anomalies, and for the better management of hospitals, I would suggest, and I believe the time has arrived to carry out the suggestion, that the system which, I understand, obtains in England may be partially adopted in India. There is a large number of properly qualified independent Medical men trained in India as well as in Europe, who

will accept the post of Honorary Surgeons and Physicians in the large hospitals at the Head-quarters of the provinces and districts. As to the fitness of the Indians to hold such appointments I would point to the Campbell Hospital, Calcutta, to the comparative list of surgical operations performed by Commissioned European Medical Officers and Indian Civil Assistant Surgeons, as well as to the few Indian Commissioned Medical Officers who have been permitted to hold Civil appointments. In large towns there is generally a hospital for Europeans exclusively. At all these places there are highly qualified independent European medical practitioners, who I am sure will be only too glad to offer their services gratuitously to such institutions. As for the Hospitals for Indians, I would suggest that the appointment of Honorary Physicians and Surgeons may be left in the hands of the municipalities or other local bodies. All the Hospitals suffer for want of funds. The Inspector-General of Civil Hospitals, North-Western Provinces, observes in his triennial report, ending December 31st, 1895 (page 20), "As a consequence of the want of means many Civil Surgeons not only find the greatest difficulty in meeting the demands for the most ordinary and inexpensive medicines, but have also to defer or abandon the purchase of necessary instruments." Proper diet, which is such an important factor in the treatment of diseases, is supposed to be adequately supplied at the average cost of one anna per diet. (Page 55, N. W. P. Triennial Report, and page 93, Annual Report of the Dispensaries in the Punjab for 1895.) At some places, such as Jhelum and Pind Dadan Khan, that modest amount is supposed to be quite large enough to meet the expenses of even two diets. When it is considered that the average famine diet costs about two annas per head, the sum expended in the nourishment of sick patients in the Indian Hospitals cannot be open to the accusation of wanton waste. At the Ramsay Hospital at Naini Tal, which is a hospital for Europeans, the average cost of each diet is Rs. 3—0—9 (page 75, Triennial Report of the Dispensaries of N. W. P., ending 1895), which shows that it is supposed to be the proper expense for a sick diet; and the contrast between this diet and that allowed to the sick natives of India is striking.

Such being the state of things it is highly uneconomical to keep up a large number of Military Medical Officers at an enormous cost. In some hospitals the pay alone of the Commissioned Medical Officer comes up to more than the combined expenses of assistants, menial establishment, medicines, surgical instruments, and dieting of all the hospitals and dispensaries of the entire district.

As for instance, the total expenditure during 1895 stood thus in the following districts in the N. W. P. :—

Almora	Rs. 5,082 2 5, page 51	} Triennial Report, ending 1895.
Dehra Dun	Rs. 6,582 1 3, page 59	
Etawah	Rs. 5,806 14 11, page 63	

If the above were in charge of a Surgeon Captain his pay would come up to Rs. 6,600 a year, exclusive of Exchange Compensation allowance. By adopting the method here suggested there would be considerable saving of expense.

There are 23 superior appointments in the Forest Department. With a single exception they are all held by Europeans. The monthly salaries drawn by the European members of the Forest Service come up to Rs. 12,100; the salary drawn by the single Indian member of the Service is Rs. 300 a month. The Public Service Commission recommended that "the staff should be divided into an Imperial and Provincial Branches, and that as in the Imperial Civil Service the Imperial Branch of the Forest Service should be a *corps d'elite* limited to the number of officers necessary to fill the superior controlling appointments and such a proportion of the Assistant Conservators' posts as will ensure a complete training of the junior officers." They further recommended "that the Government should keep in view the policy of training in India men qualified to take charge of the higher administrative appointments so as to avoid as far as possible the necessity for expanding the Imperial branch of the Service." From the facts stated above, it does not appear that any serious effort has been made to train natives of India so that they might take charge of the higher appointments, for with one exception these appointments are filled by Europeans.

The Educational Service in Bengal, which has recently been reorganised, has given rise to much dissatisfaction. Under the orders of the Secretary of State "the Department is to be divided broadly into (a) the superior service and (b) the subordinate service. The former will consist of two branches, one including all posts to be

*Forest Department
(Bengal).*

*The Educational
Service (Bengal).*

filled by persons appointed in England, which will be called 'The Indian Educational Service,' and the other including all posts to be filled by recruitment in India, which will be known as 'The Provincial Educational Service.' The Indian Educational Service will consist of 27 officers. The Provincial Service is to consist of 104 officers. The recruitment for the Indian Educational Service taking place in England, it need hardly be observed that natives of India will have little or no chance of appointment to the superior grade. Indeed, it would seem from the orders of Government that natives of India with degrees from the Universities of England, Scotland, and Ireland are now to be admitted only to the Provincial Service, for we find the following laid down in the scheme as sanctioned by the Secretary of State:—

"The Provincial Educational Service is to consist of 104 officers, as follow:—

- 5 Inspectors of Schools.
- 10 Assistant Inspectors.
- 7 Principals, and
- 51 Professors of Colleges.
- 24 Head-masters of Collegiate and Training Schools.
- 7 Others, including the (1) Assistant Superintendent and the (2) Head-master of the School of Art, (3) the Personal Assistant to the Director of Public Instruction, and (4) supernumerary appointments (Professorships) to be filled by Indian gentlemen with degrees from the Universities of England, Scotland and Ireland, or by Premchand Roychand students."

Total 104

The concluding words of the extract which I have quoted support the view which I have put forward, viz., that it appears to be the intention of the Resolution to confine the employment of Indians practically to the Provincial service. There is absolutely no reason for this exclusion, when it is borne in mind that Indian gentlemen in the Educational Service, with degrees from the English Universities, have attained to the distinction which has been achieved by men like Dr. Bose and Dr. P. C. Roy. They are able to hold their own against any Englishman in the particular departments in which they have won distinction; but in future, under the operation of the new scheme, men like them will be relegated to the Provincial Service. It is indeed the case that the Government of Bengal itself is not satisfied with the scheme, inasmuch as the prospects of the officers in the lower grades are very discouraging, and the scheme fixes the pay of the lowest grade of the Provincial Service at Rs. 150 a month, while the pay of the lowest grade in the other Provinces appears to be higher. This is what Sir Alexander Mackenzie, the Lieutenant Governor of Bengal, observed in this connection in his Resolution dated 26th March, 1897:—"His Honour observes that, owing to the narrowness of the scale of the Provincial Service, as compared with existing salaries, the prospects of officers in the lower classes are very discouraging. For instance, officers now placed in Class VI. on Rs. 250 of the Service, are all in Class III. (Rs. 200-21-300) of the existing Service, and before they can receive any increase of pay, they must rise to the top of Class VI., and then move slowly to the top of Class V. He also observes that the Provincial Services of other Provinces are practically devoid of Class VIII. on Rs. 150. Sir Alexander Mackenzie regrets this state of things, and, with a view to improving the prospects of the Provincial Service, he proposes at an early date to consider whether something may not be done by assigning a greater number of officers to some of the intermediate classes."

*The Survey
Department of the
Government of
India.*

The Public Service Commission in their Report observe that the admission to the junior division should not be confined to special classes of Her Majesty's subjects (evidently referring to the practical exclusion of Indians from the Provincial Service of the Department), but that it should be recruited by competition from among selected candidates (page 152 Public Service Commission's Report). In this Department there has always been considerable objection to the employment of Indians as will be seen from the following memorandum written by Col. De Pru, late head of the Survey Department, which was laid before the Public Service Commission:—

"I may here remark incidentally that my numerous late inspections show me that the tendency of the European Surveyors is to stand and look on, while the natives are made to do the drawing and hand-printing, as if they thought themselves

quite above that sort of thing. This is a mistake, and cannot be permitted for the future. Besides, it is suicidal for the Europeans to admit that natives can do any one thing better than themselves. They should claim to be superior *in everything*, and only allow natives to take a secondary or subordinate part.

"In my old parties, I never permitted a native to touch a theodolite or an original computation on the principle that the triangulation or scientific work was the prerogative of the highly-paid European, and the reservation of the scientific work was the only way by which I could keep a distinction so as to justify the different figures respectively drawn by the two classes between the European in office-time and the native who ran him so close to all the office duties as well as on field duties. Yet I see that natives commonly do the computation, and the Europeans some other inferior duties."

The Public Service Commission also noted the objection to the employment of natives of India in their Report, and they observe:—"The Junior Division has been hitherto officered for the most part by Europeans domiciled in India and Eurasians, of whom many have passed the Matriculation Examination of the Indian Universities. . . . In the year 1884 the Government of India determined that natives should be employed in the Junior Division, believing that educated or trained natives could be found who were competent to perform all the duties of the subordinate staff, and that as the competence of such natives had not been made the subject of trial the presumption of incompetence could not be admitted" (Page 132).

The fact seems to be forgotten that at one time the head of the Computing Department of the great Trigonometrical Survey was a Bengal gentleman (Baboo Radhanath Sikdar), who performed his duties with remarkable ability and efficiency. As it is we find that in the Survey Department, out of 119 appointments in the Provincial Service, only 10 are held by Indians. The monthly salaries and allowances paid to European employes come up to Rs. 35,715, while the monthly salaries paid to Indian employes come up to Rs. 2,012. There is not a single Indian in the six grades of Extra Assistant Superintendents, comprising appointments the salaries of which vary from Rs. 300 to Rs. 500 a month.

There are in the Indian Telegraph Department 82 superior appointments, exclusive of the Examiner and Deputy Examiner of Accounts. All these appointments, with two exceptions, are held by Europeans, and by students passing from Cooper's Hill College. The monthly salaries drawn by the European employes come up to Rs. 56,025; the Indian member of the Telegraph Department, who is also a passed student of Cooper's Hill College, draws a monthly salary of Rs. 300. There is one other Indian member of the Department who is appointed on the Provincial scale of pay and gets Rs. 150 a month. The Government of India resolved, on the recommendation of the Public Service Commission, to make some appointments to the Telegraph Service on the provincial scale of pay, which is about 66 per cent. of the scale of English pay, from among the native students of the Thomason College, Roorkee (vide Government of India Resolution No. 156 P. E. of 25th August, 1892, P. W. D.) Since the publication of this Resolution, 21 appointments have been made, out of which four have been made in India, and of the four only one has been given to an Indian; the other three have been conferred on Eurasians. If the Government had exercised the powers which it assumed by the Resolution referred to above more largely, and the terms of which are quoted in the margin,* there would have been a saving of expenditure and a proportionate relief to the finances. The Thomason Engineering College is equipped for the purpose of turning out duly-qualified candidates for the Telegraph Service. There seems to be little doubt that some of the Indian Colleges are turning out students whose services might with advantage be utilized for the Telegraph and other scientific departments with considerable relief to the public exchequer. Dr. J. C. Bose, Professor of Science in the Government Presidency College in Calcutta, who has acquired a European reputation by his discoveries in connection with electrical science, thus observed in a paper that he read in this country on the Progress of Science Teaching in India:—"The advanced students, whom we hope to train in our laboratories, will form the best material for recruitment to the various scientific departments under the

*The Telegraph
Department.*

* "The number of appointments shall ordinarily be two and one in alternate years, but these numbers may be varied according to the requirements of the Department, due notice whereof will be given"

State. The students who now work in electric science in our Presidency College Laboratory acquire a very high efficiency in it, and it would be an advantage to the Telegraph Department to utilise their services. Indeed, this was at one time contemplated, and Sir Alfred Croft, the retiring Director of Public Instruction, interested himself in it. It is to be hoped that something will be done in this direction." If the hope expressed by Dr. Bose is fulfilled a considerable impetus would be imparted to the teaching of science in India, and the interests of economy would also be ensured. The Public Service Commission practically made the same recommendation. They recommended the gradual reduction of the staff recruited in England, and that a superior local Telegraph Service should be recruited in India from classes to be established at one or more of the Indian Engineering Colleges (page 139).

There are 85 Sub-Assistant Superintendents, divided into two grades, 41 being in the first grade and 44 in the second grade. The maximum pay allowed in the first grade is Rs. 350 per mensem; in the second the maximum is Rs. 275 per mensem. There are only two Indians in these two grades. If the Department were re-organised, and native Indians employed more largely, it would be possible to place it upon a more economical footing.

It would seem that all Telegraph masters and signallers receive in addition to their substantive pay an allowance in the shape of house rent of Rs. 15 and Rs. 10 per month respectively when posted to Presidency Towns, and Rs. 10 and Rs. 5 respectively when employed in out-stations. But this rule does not apply to natives of India. In other words, it is only the European and Eurasian telegraph masters and signallers who are entitled to this privilege. In 1882 the Government of India, in the Public Works Department, issued the orders granting house allowance to all Telegraph masters and signallers with the exception, of course, of such as were provided with quarters. In 1883, orders were issued that native telegraph masters and signallers were not entitled to the allowance. Some native Christian signallers, who had adopted the European mode of living, prayed for this house allowance, when they received the following letter in reply :—

From THE DIRECTOR-GENERAL OF TELEGRAPHS,

To THE SUPERINTENDENT, CALCUTTA OFFICE,

No. 3375T, dated 26th September, 1890.

SIMLA.

SIR,—With reference to your letter No. 2596T, dated the 16th of September, 1890, I have the honour to inform you that under the orders of the Government of India Native Signallers, as distinguished from European and Eurasian signallers, are not entitled to house allowance when not provided with quarters. By natives must be understood pure Asiatics, and the details of religion and dress that may be adopted by natives are questions which do not enter into the matter.

2. I am unaware of any special exceptions to this rule that may have been made in former years, but if such exceptions exist, they afford no grounds for any further additions to them being made.

I have, &c.,

(Signed) C. H. REYNOLDS,

Director Traffic Branch.

The House allowance granted to Telegraph masters and signallers comes up to the sum of Rs. 7,661.2 ans. a month, or nearly a lakh of rupees a year. The details are given in the following statement :—

GOVERNMENT TELEGRAPH DEPARTMENT.

House allowance drawn by the Europeans and Eurasian Signallers serving in the following Telegraph Divisions.

	Rs.	as.	p.
1 Bellary Division ...	37	8	0
2 East Coast ...	35	0	0
3 Madras ...	919	13	9
4 Bombay ..	2,485	6	8
5 Nagpur... ..	53	8	0
6 Rajputana	392	1	1
7 Sind and Beluchistan	418	6	4
8 Punjab ..	416	0	0
9 Kashmere	342	5	8
10 Bengal ...	280	15	0
11 Arrakan	143	0	0
12 Lower Burmah	374	0	0
13 Upper Burmah	279	0	0
14 Calcutta	1,422	1	6
15 Oudh and Rohilkhund Division	62	0	0
16 Assam and Dacca Divisions	nil		
	7,661	2	0

Because the signallers and the telegraph masters in these two divisions are provided with quarters.

1. Number of <i>European</i> and <i>Eurasian</i> telegraph masters	157
(Draw Rs. 15 and 7½ when posted to Presidency towns and moffusil respectively when not provided with quarters.)	
2. Number of <i>European</i> and <i>Eurasian</i> signallers	1,145
(Draw Rs. 10 and 5 when posted to Presidency towns and moffusil respectively when not provided with quarters.)	
Total ...	1,302
Number of <i>Native</i> telegraph masters	15
Number of <i>Native</i> signallers	324
Total	339
Grand Total	1,641

If all telegraph masters and signallers were natives, it is very obvious that under the existing rules the whole of this amount would be saved, and the saving would be in proportion to the employment of natives as telegraph masters and signallers. The distinction is invidious, and causes bitterness and ill-feeling between persons working in the same department, and to the prejudice of public business.

The all but practical exclusion of Indians from the higher appointments in the Post Office is felt as a grievance. The *Amrita Bazar Patrika*, one of the leading organs of public opinion in Bengal, refers to the subject in a leading article in its issue of the 7th April last, headed "European Monopoly of Post Office." The facts stated are remarkable, and I desire to submit them for the consideration of the Commission. The state of things in 1896 stood as follows :—

The Post Office.

	European	Native
Chief Officers	23	2
Superintendents ...	85	35
Sea Postal Officers	5	7
Miscellaneous Officers	18	22
Post Masters	42	23
Total	173	89

Since then there has been no appreciable improvement, as will be seen from the following facts mentioned by the *Amrita Bazar Patrika*, from an official statement containing the names of chief officers and 1st grade superintendents, corrected up to the 1st May, 1896.

The Director-General of the Post Office is a European, and he draws Rs. 3,000 a month. The Post-Masters-General of Bengal, Madras, Bombay, Burmah and the Punjab are all Europeans, and their respective salaries per month are 2,000, 1,750, 1,750, 1,500 and 1,400 Rs. The Post-Master-General of the N.W. Provinces only is an Indian, Mr. K. J. Badsha, his salary being Rs. 1,750. But he is a civilian, and he has access to the highest post in any department under the State. Let it also be borne in mind that the Post-Master-Generalship of the N.W. Provinces was reserved especially for an uncovenanted officer of Asiatic race. The Postal authorities, in their evidence before the Service Commission, admitted this fact.

As regards the other chief officers:—The Deputy Director-General, pay Rs. 1,750; the Inspector-General, Railway Mail Service, pay Rs. 1,400; Assistant Inspector-General, Railway Mail Service, pay Rs. 500; three Assistant Directors-General, pay Rs. 1,000, Rs. 700 and Rs. 700 respectively; 1st grade Deputy Post-Master-General, pay Rs. 1,400; two 2nd grade Deputy Post-Masters-General, pay Rs. 1,000 each; three 3rd grade Deputy Post-Masters-General, pay Rs. 700 each; and one Deputy Post-Master-General, pay Rs. 500, are all whites. There is only one Indian amongst these officers, namely, Mr. C. J. Lalkaka, who officiates as Inspector-General, Railway Mail Service, on Rs. 800 a month.

The other chief officers are one Comptroller, pay Rs. 1,200; one Deputy Comptroller, pay Rs. 700; two Assistant Comptrollers, pay Rs. 600 and 500 respectively. With the exception of the Deputy Comptroller, Babu Woma Charan Dass, all others are Europeans.

We now come to the lowest class of chief officers, namely, Presidency Post-Masters. There are three of them, namely, Post-Master, Bombay, pay Rs. 900; Post-Master, Calcutta, pay Rs. 800; and Post-Master, Madras, pay Rs. 750. Every one of them belongs to the white race.

Next to chief officers are first-class Superintendents, pay Rs. 400—500 per mensem. We find in the statement before us the names of twenty-one such Superintendents. It was expected that, at least in this class of officers, the Indian element would prevail over the European. For it is essential that these Superintendents should have a thorough and intimate knowledge of the vernaculars of the country to carry on their duties with village Post-Masters. But what do we find? Only *four* are Indians, and the remaining eighteen Europeans.

So, out of 46 Chief Officers and 1st grade Superintendents, there are only *six* pure Indians, the two Indian Chief Officers being almost in the lowest grade.

Yet the Post Office was one of those departments in respect of which no one who was not a native of India could hold any appointment carrying a salary of Rs. 200 a month and upwards without the previous sanction of the Governor-General.

With reference to the services, I may here observe that the Indian public view with grave disappointment the fact that effect has not been given to the resolution of the House of Commons of the 2nd June, 1893, on the question of simultaneous examinations. In the opinion of the educated community in India, Her Majesty's proclamation of the 1st November, 1858, declaring merit and not race as the sole test of qualification, will remain unfulfilled so long as simultaneous examinations in connection with the Indian Civil Services are not held in India as well as in England. This was, indeed, the view put forward with special reference to the open Competitive Examinations for the Indian Civil Service by a Committee of the India Office which reported on this matter in 1861. They observed:—

“It is obvious, therefore, that when the competitive system was adopted it could not have been intended to exclude natives of India from the Civil Service of India. Practically, however, they are excluded. The law declares them eligible, but the difficulties opposed to a native leaving India and residing in England for a time are so great that, as a general rule, it is almost impossible for a native successfully to compete at the periodical examinations held in England. Were this inequality removed we should no longer be exposed to the charge of keeping promise to the ear and breaking it to the hope.

“Two modes have been suggested by which the object in view might be attained. The first is by allotting a certain portion of the total number of appointments declared in each year to be competed for in India by natives, and by all other natural-born subjects of Her Majesty resident in India. The second is to hold simultaneously two examinations, one in England and one in India, both being, as far as practicable, identical in their nature, and those who compete in both countries being finally

*General Statement
with regard to
the Services.*

classified in one list, according to merit, by the Civil Service Commissioners. The Committee have no hesitation in giving the preference to the second scheme, as being the fairest and the most in accordance with the principles of a general competition for a common object."

Numerous petitions have been presented to the House of Commons from all parts of India for effect being given to the resolution of the House. But the resolution remains a dead letter. It may generally be stated that if the great departments were recruited upon the principle that wherever a native of India was qualified for an office he should be appointed to it, and if the pay was adjusted with reference to the local marketable value of the qualifications required, a considerable saving in public expenditure would follow.

The employment of a costly European agency in the administration to a larger extent than what the financial condition of the country justifies has a financial bearing which is not to be overlooked. Exchange Compensation Allowance has been granted to the non-domiciled European employees of the Government. In 1893-94 Exchange Compensation Allowance came up to Rx. 624,411; in 1894-95 it rose to Rx. 1,249,591; and in 1895-96 it rose to a still higher figure, viz., Rx. 1,338,163. The Indian Association, of which I am the Secretary, protested against the grant of Exchange Compensation Allowance, and addressed a communication to the Government of India on the subject. The Government admitted that the servants of Government to whom Exchange Compensation Allowance had been granted had no legal claim to it. A member of the Bengal Civil Service, Mr. Lea, refused to draw the allowance, on the ground that he was not legally or morally entitled to it. If Exchange Compensation Allowance had been granted upon the actual remittances sent home for family purposes, no matter whether by Indian or European servants of the Government, one of its most objectionable features would have been withdrawn, though Indian opinion would still have condemned it. As a matter of fact, there are at present in England members belonging to the families of Indian gentlemen in the Civil and Medical Services, for whose maintenance and education those gentlemen make regular remittances. They draw no Exchange Compensation Allowance. On the other hand, a large proportion of European gentlemen in the Civil Service, who are unmarried, and have no remittances to make for their families, get Exchange Compensation Allowance. As it is Exchange Compensation Allowance is granted to all non-domiciled European servants of the Government, no matter whether they joined the service before or after the depreciation in the value of the Rupee had begun. It is granted to those whose salaries are fixed by statute, and a question has been raised as to whether they are entitled to it, but all the same they continue to draw it. Sometimes it is difficult to explain the principle upon which the allowance is granted. I will give an instance. Mr. Chackerbarty, Deputy Accountant General, Bombay, does not draw any Exchange Compensation Allowance, but his brother, in the Revenue Department of the Bombay Government, gets the allowance. But while Exchange Compensation is thus granted to the highly-paid European servants of the Government at an annual charge of over a crore of rupees, the Government is obliged to refuse an addition to the pay of ministerial servants on the Bengal establishment, who draw small salaries, and are exposed to great temptations, although a Commission—appointed to enquire into this matter, and consisting of some distinguished Government servants—recommended so far back as 1886, on the ground of the rise in the price of provisions, that their pay should be increased by 75 per cent. More than a crore of rupees is spent to provide Exchange Compensation while so important a question of domestic reform as the separation of judicial and executive functions in the administration of criminal justice cannot be taken up for the alleged want of funds. Salaries should be fixed according to the importance of the duties to be performed, and the market price of the labour of men competent to discharge those duties. This was practically the recommendation of the Public Service Commission; they say (page 85 of the Report):—"The Commission would adjust the conditions of the Provincial Service by the consideration of the terms which are necessary to secure locally in India the desired qualifications." Formerly this principle was recognised, and the scale of pay was not varied according to the nationality of incumbents. If the same principle is re-affirmed, and the salaries of appointments which on political grounds need not be reserved for Europeans, be fixed, with reference to the plentiful supply of competent Indian labour, a very much lower scale of pay would be sufficient, and if a European were to be appointed to any of these offices he should not get more than the pay so fixed, in the shape of Exchange

*Exchange
Compensation
Allowance.*

Compensation Allowance or otherwise. A large saving could be effected in this way. In case of appointments reserved for Europeans on political grounds, or for British interests mainly, it is only right and proper that there should be an apportionment of charge between England and India.

APPORTIONMENT OF CHARGES.

With regard to the second part of the reference, viz., the apportionment of charges for purposes in which both countries are interested, I beg to observe that Indian public opinion supports the view that India should be chargeable with the cost of the native army necessary for the maintenance of internal peace, but that the European army and the European officers in the native army being quite as much necessary for British as for Indian interests, the British Exchequer should in justice pay a fair share towards their maintenance. With regard to the North-Western Frontier wars much has already been said, and I shall only repeat that as these wars concern the interests of both countries, the expenses connected therewith should be equitably adjusted between them. If in this adjustment there should arise differences of opinion as to the proportion to be paid between the two countries, some machinery for arbitration should be devised.

EAST INDIA (OFFICERS) (EXCHANGE COMPENSATION).

RETURN to an Address of the Honourable The House of Commons,
dated 27 June 1906;—for,

“RETURN containing COPIES of all the RESOLUTIONS issued by the
GOVERNMENT OF INDIA with regard to the grant of EXCHANGE
COMPENSATION ALLOWANCE to European Officers of the Indian Service.”

India Office, }
23 October 1906. }

ARTHUR GODLEY,
Under Secretary of State for India.

(*Sir Seymour King.*)

the House of Commons, to be Printed,
25 October 1906.

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Compensation Allowance or otherwise. A large saving could be effected in this way. In case of appointments reserved for Europeans on political grounds, or for British interests mainly, it is only right and proper that there should be an apportionment of charge between England and India.

APPORTIONMENT OF CHARGES.

With regard to the second part of the reference, viz., the apportionment of charges for purposes in which both countries are interested, I beg to observe that Indian public opinion supports the view that India should be chargeable with the cost of the native army necessary for the maintenance of internal peace, but that the European army and the European officers in the native army being quite as much necessary for British as for Indian interests, the British Exchequer should in justice pay a fair share towards their maintenance. With regard to the North-Western Frontier wars much has already been said, and I shall only repeat that as these wars concern the interests of both countries, the expenses connected therewith should be equitably adjusted between them. If in this adjustment there should arise differences of opinion as to the proportion to be paid between the two countries, some machinery for arbitration should be devised.

EAST INDIA (OFFICERS) (EXCHANGE COMPENSATION).

593

S 509

RETURN to an Address of the Honourable The House of Commons,
dated 27 June 1906;—for,

“RETURN containing COPIES of all the RESOLUTIONS issued by the
GOVERNMENT OF INDIA with regard to the grant of EXCHANGE
COMPENSATION ALLOWANCE to European Officers of the Indian Service.”

India Office, }
23 October 1906. }

ARTHUR GODLEY,
Under Secretary of State for India.



(*Sir Seymour King.*)

Ordered, by The House of Commons, to be Printed,
25 October 1906.

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No. 1.

FINANCE AND COMMERCE DEPARTMENT.

No. 3624 A.

(As amended by GAZETTE of INDIA, dated the 9th September 1893.)

Simla, the 18th August 1893.

During the past year and a half numerous representations have reached the Government of India from European officers in Government service bringing to notice the hardship which they have undergone in consequence of the fall in the rate of exchange, and praying for the adoption of measures of relief. The facts which came to the knowledge of the Government of India left no doubt that the distress from which their servants were suffering was widespread and severe; and His Excellency the Governor-General in Council has lost no opportunity of expressing his sympathy with those who have been affected, and of urging upon the Secretary of State the necessity of applying an early and adequate remedy. It was not, however, found possible to deal with the matter while measures regarding the reform of the currency were still under consideration. His Excellency the Governor-General in Council is now able to announce that the Secretary of State has been pleased to accord his sanction to the following scheme:

To every European and Eurasian Officer of Government, Civil or Military, not domiciled in India (except those whose pay is fixed in sterling and converted into rupees annually at the official adjusting rate) will be granted an allowance, to be designated Exchange Compensation Allowance, sufficient to enable each officer to remit to Europe one-half his salary, subject to a maximum limit of 1,000*l.* a year, at a privileged rate. The privileged rate has been fixed until further orders at 1*s.* 6*d.* the rupee. The allowance, which will be admissible whether any remittance is actually made to Europe or not, will be given in the form of a percentage on the officer's salary, varying with the rate of exchange assumed as the market rate for the quarter, and calculated to yield an amount equal to the difference between one-half salary converted at 1*s.* 6*d.*, and one-half salary converted at the average market rate. The allowance will be payable month by month along with pay, and under the rules under which pay is drawn; and will be subject in every case to an annual maximum equal to the difference between 1,000*l.* converted at 1*s.* 6*d.*, and the same sum converted at the average market rate.

2. Rules have been framed prescribing the manner in which the percentage for each quarter shall be calculated, and defining the conditions under which the allowance may be drawn, and these are published herewith for general information. The Secretary of State has been pleased to authorise effect being given to the rules from the beginning of the current official year 1893-94, and the allowance will accordingly be granted in respect of all payments of salary which became payable on or after the 1st April 1893. For the first quarter of the present official year, April to June, the percentage has been fixed at 10·81, corresponding to an exchange of 1*s.* 2½*d.* to the rupee, this being the actual average rate during that quarter. For the second quarter, July to September 1893, the percentage has been fixed at 7·6, corresponding to an exchange of 1*s.* 3½*d.*, that being the actual average market rate from 1st July to the date of the Secretary of State's sanction to the scheme now announced. For future quarters the percentage will be fixed in the manner prescribed in the rules.

3. From the date when these rules come into force, the present system under which family remittances are made through the Government account by military officers and some others will cease, except in cases where this course is inconsistent with the terms of any contract of service. In the case of officers who have made family remittances since the 1st April last, an

adjustment will be made when paying them their arrears of Exchange Compensation Allowance. Officers who have made family remittances since 1st April last should refer to their Account Officer before presenting for payment their bills for the arrears from 1st April of the Exchange Compensation Allowances now sanctioned.

4. The Secretary of State has further been pleased to sanction the payment of furlough allowances from the Home Treasury at the same privileged rate of 1s. 6d. to the rupee. This concession also will take effect from the 1st April last in lieu of the special rate of 1s. 4½d. provisionally sanctioned in the Notification in this Department, No. 823A, dated the 27th February 1893, published in the Gazette of India of the 4th March 1893.

RULES referred to in paragraph 2 of FINANCE DEPARTMENT RESOLUTION
No. 3624A., of 18th August 1893.

EXCHANGE COMPENSATION ALLOWANCE.

1. The allowance admissible under these rules is called Exchange Compensation Allowance. It is granted to European and Eurasian officers of Government not domiciled in India to compensate them for the extra cost of remittance to Europe occasioned by the fall of the value of the rupee below 1s. 6d., which is herein called the "privileged rate."

2. The allowance is granted with the view of enabling every European or Eurasian officer of Government not domiciled in India to remit to Europe half his salary at the privileged rate, subject to a maximum limit of 1,000*l.* a year.

3. In case of doubt the Local Government will decide whether any officer is domiciled in India or not so domiciled for the purposes of these rules. But any European or Eurasian officer to whom the rules in Chapter XIII. of the Civil Service Regulations apply may be assumed without further proof to be entitled to the allowance admissible under these rules.

4. The allowance is not admissible to any officer whose pay is fixed in sterling and is converted into rupees at the rate of exchange fixed annually for the adjustment of transactions between England and India.

5. The allowance is granted irrespective of whether any remittance is actually made or not.

6. Officers will be enabled to remit half salary at the privileged rate if they receive a percentage on half salary equal to the proportion by which the privileged rate exceeds the market rate of remittance, or half that percentage on the full salary. The allowance is accordingly given in the form of a percentage on the full salary drawn limited to the amount which would be admissible on a remittance of 1,000*l.*

7. The percentage will be calculated for each quarter with reference to the difference between the privileged rate and the rate fixed as the approximate market rate applicable to the quarter—see Rule 8. Thus, if the market rate of exchange applicable to any quarter is 1s. 4d., the difference between this and the privileged rate is equivalent to a percentage of 12½ on that market rate, and the difference between the cost of remitting 1,000*l.* at 1s. 6d. (Rs. 13,333½) and at 1s. 4d. (Rs. 15,000) is Rs. 1,666⅔. The allowance payable during each month of the quarter would therefore be granted at 6½ per cent. on the full salary limited to a maximum of ⅓th of Rs. 1,666.10.8, or Rs. 138.14.3.

8. The market rate applicable to the quarters April to June and July to September 1893 has been fixed in Resolution No. 3624A, dated 18th August 1893. For subsequent quarters, the market rate applicable to any quarter will be approximately the average of the Calcutta demand rate during the quarter ending on the 15th day of the last month of the preceding quarter, and will be calculated and notified by the Comptroller-General, if possible, on such 15th day. The rate will be fixed at the nearest ⅓ of a penny.

9. The market rate fixed for any quarter will be applicable to all payments of salary falling due during that quarter. Thus, the rate fixed for the quarter July to September, will apply to salary payable between the 1st July and 30th September, *i.e.*, ordinarily to the salary for the months of June, July, and August.

10. For the purpose of illustration, a table is appended showing the percentage admissible on full salary and the maximum allowance admissible at the rates which have been fixed as the market rates for the quarters April to June 1893 and July to September 1893, and at some other rates above and below 1s. 4d.

11. In the case of officers whose emoluments are regulated by the Civil Service Regulations, the allowance is admissible only on "Salary" as defined in Article 47, Civil Service Regulations. In the case of officers whose emoluments are regulated by the Army Regulations, India, it is admissible only on Pay, Indian Allowances, and Staff Pay.

12. The allowance may be drawn regularly with pay in the manner and under the rules under which pay is drawn; and will be charged to the same head as pay, but under a separate detailed head.

TABLE of PERCENTAGE on SALARY admissible as EXCHANGE COMPENSATION ALLOWANCE.

Average Market Rate.		Percentage admissible	Maximum Allowance.					
			Yearly			Monthly		
s.	d.		R.	A.	P.	R.	A.	P.
1	4 $\frac{1}{4}$	5·38	1,435	14	4	119	10	6
1	4 $\frac{3}{8}$	5·81	1,550	6	2	129	3	2
1	4	6·25	1,666	10	8	138	14	3
1	3 $\frac{7}{8}$	6·69	1,784	12	5	148	11	8
1	3 $\frac{5}{8}$	7·6	2,026	10	8	168	14	3
1	2 $\frac{5}{8}$	10 81	2,882	14	1	240	3	10

No. 2.

FINANCE AND COMMERCE DEPARTMENT.

No. 661 P.

Calcutta, the 6th February 1894.

Read—

Resolution in this Department, No. 3624 A, dated 18th August 1893, regarding the grant of exchange compensation allowance to European and Eurasian officers of Government not domiciled in India.

Resolution.—The resolution of the 18th August 1893 applies only to officers whose salary is chargeable to general revenues. Exchange compensation allowance is therefore not admissible under that resolution to Government officers in foreign service.

As regards Government officers in foreign service, the Government of India, so far as they are concerned, agree to the grant of Exchange Compensation Allowance under the restrictions and rules of the resolution last quoted. But as the allowances will not be payable by the Government of India but by the foreign employer, the claim in each case must, subject to any conditions imposed by statute, or by trust provisions, be decided, in the case of foreign service of the first kind, by the orders of the employer to whom the officer's services have been lent, and in the case of service of the second and third kinds, with the consent of the controlling authority of the funds to which the allowance will be chargeable.

In cases in which Exchange Compensation Allowance is granted to an officer in foreign service of the first kind, as defined in Article 802 of the Civil Service Regulations, the allowance should be calculated on "assumed pay" as defined in Article 808 of those Regulations. In other cases, it should be calculated on the actual sanctioned salary of the officer.

No. 3.

FINANCE AND COMMERCE DEPARTMENT.

No. 2422-Ex.

Simla, the 31st May 1897.

The Rules annexed to this Resolution are issued in supersession of all previous rules regarding the officers entitled to Exchange Compensation Allowance, and the following additional explanations are given as to the principles on which these Rules are to be applied.

2. It is to be borne in mind in applying the Rules that Europe includes the English-speaking colonies, and that Eurasians who are not statutory natives of India are to be reckoned as Europeans.

3. As regards *officers appointed in England*, all Europeans so appointed, whether in the Military or the Civil Service, will be entitled to Exchange Compensation Allowance unless their salaries are fixed in sterling, or unless they are specifically excluded from it by the terms of their engagement.

4. As regards *officers appointed in India*, they will not be eligible for Exchange Compensation Allowance if they belong to the class to which an important privilege as to appointments in India is secured by the Statute 33 Vict. cap. 3. That class is thus defined in the statute:—

“The words ‘Natives of India’ shall include any person born and domiciled within the dominions of Her Majesty in India of parents habitually resident in India and not established there for temporary purposes only.”

5. But before officers appointed in India and not excluded by the above test are eligible for exchange compensation allowance, two further qualifications are necessary—

- (1) They must have been appointed either (a) to offices in which European qualifications are held to be indispensable, or (b) to services and departments in which a proportion of Europeans is held to be indispensable.
- (2) They must have been appointed as Europeans, and in the second case, for the purpose of maintaining the requisite proportion of Europeans.

6. It is not possible, without some little delay, to make complete lists of offices, services, or departments falling within the categories (a) and (b) above mentioned. For the present the following orders are issued, and local governments and departments are desired, as soon as possible, to make any recommendations for further inclusion in the lists, in order that definite orders may issue.

A.—*Offices in which European Qualifications are held to be indispensable.*

7. The following are included—

- (1) Appointments limited (or practically so) to barristers, or members of the Faculty of Advocates in Scotland.
- (2) Appointments limited to persons who possess a special education or skill that is obtainable only in England, such as the higher medical appointments; appointments connected with special scientific investigation; engineering appointments in the cases where officers have been taken over from companies or specially appointed by reason of European experience (Civil Service Regulations, 703 and 709); skilled artisans with European training; appointments connected with Marine or Shipping.
- (3) Appointments in services and departments which are in all but exceptional cases restricted to members of the Indian Civil Service or officers of the army. Officers not belonging to these two classes, who have in the past been admitted to these services and departments, will be entitled to exchange compensation allowance. In most cases this kind of admission has now ceased, and a substitute for it has been found in the admission of Provincial Service officers to listed posts. Officers admitted under these new rules are not entitled, as they do not comply with the second condition above mentioned, viz., they have not been admitted as Europeans.
- (4) Appointments which by practice or order are confined to men enlisted in the British Army.

B.—*Services and Departments in which a proportion of Europeans is held by the Government of India to be indispensable.*

8. The only services and departments which have as yet been admitted within this category are those referred to in the orders of 1879 regarding appointment and promotion of Europeans. They are—

- (1) The Account Departments, Civil, Public Works, and Military, and the Forest Department, so far as these are filled by appointment, after examination; and

(2) The Education Department, in the case of persons appointed by the Secretary of State.

The following Departments,—Opium, Salt, Customs, Survey, Mint, Public Works, and Police.

These orders do not refer to appointments of which the pay is less than Rs. 200.

9. There is a further important restriction to be observed with regard to all these services and departments. Not all Europeans in these appointments are eligible, but only those who have been appointed "as Europeans" "and for the purpose of maintaining the proportion" of Europeans held to be indispensable.

10. To many of the departments named (perhaps to most of them) there are two avenues of admission. In the Account Departments there is admission by nomination and examination, and there is admission by promotion from the Subordinate Account Service. In most of the branches of the Public Works Department there is admission by appointment in England, and admission by appointment in India under regulations which are equally open to Europeans and Natives. In all these cases it is the first kind of appointment only which is designed to maintain the indispensable proportion of Europeans, and those appointed under the second method are not appointed as Europeans and for the purpose of maintaining the proportion, and they are therefore, under the orders now conveyed, not eligible. The same is the case, as has been pointed out, with "Provincial Service" officers admitted to "listed appointments."

11. The admission of officers holding subordinate and ministerial appointments is to be decided by the criteria above explained. In the main, those who are serving in subordinate positions will not fulfil the necessary conditions; but if there are subordinate offices, as doubtless there are, which in the public interest must at present be held by Europeans, the persons so selected for them will be entitled to draw the allowance. In the present Resolution no orders are issued for the admission of such officers (except those which are sanctioned as offices to be held by British soldiers drawing a staff pay). But Local Governments and Departments will include in the recommendations they send with reference to paragraph 6 above any subordinate or ministerial offices which they consider to come under classes A. and B. above.

12. Rule XIII. of the annexed rules, so far as it provides for the withdrawal of the exchange compensation allowance from officers who have been admitted to it under past rules, will not be brought into force until the proposed lists of appointments are considered and determined. When that is done, the limitation prescribed must be applied to all officers who do not come within the list. But meantime no person who is not clearly admissible within the instructions now issued should be admitted to Exchange Compensation Allowance.

RULES REGARDING THE GRANT OF EXCHANGE COMPENSATION.

HIS Excellency the Governor General in Council is pleased to prescribe the following Rules in regard to the grant of Exchange Compensation, in supersession of those published with Resolution No. 3624-A., dated the 18th of August 1893, and other orders on the subject.

2. His Excellency in Council takes this opportunity of declaring that the grant of Exchange Compensation is a provisional addition to salary, calculated on the difference between the gold value of half salary at the market rate of exchange, and its value at a privileged rate which, for the present, is fixed at 1s. 6d. per rupee, subject to the condition that it shall in no case exceed in any quarter the amount of rupees by which 250*l.* converted at the privileged rate shall fall short of the equivalent of 250*l.* converted at the market rate.

3. The Government of India reserve to themselves full power at any time to reconsider the whole subject, without admitting any vested rights to receive the compensation in the form now sanctioned, or in any other form.

4. The object of granting Exchange Compensation is to secure certain classes of Indian public servants against serious depreciation of their emoluments by the fall in the sterling value of rupee salaries, so that they may be enabled to live according to their station, and that the public service may continue to attract recruits of the same high quality as heretofore.

RULES.

I.—The grant of Exchange Compensation is deemed to be justified on the considerations stated above, in the case of those public servants only who supply the indispensable European element in the administrative body of Indian officials.

II.—The officers who fulfil the above conditions are :—

- (1) Europeans appointed in England ;
- (2) Officers appointed as Europeans in India to offices in which European qualifications are held to be indispensable, or to services and departments in which a proportion of Europeans is held by the Government of India to be indispensable, and for the purpose of maintaining that proportion.

Europe, in the meaning of this Rule, shall be deemed to include the English-speaking colonies.

III.—The Government of India shall from time to time determine what are the offices or services in which European qualifications are deemed to be indispensable.

IV.—(1) No person hereafter appointed in India to such an office or service shall be eligible for Exchange Compensation, unless, on appointment, he shall be declared eligible by a certificate granted by the Indian Government by or under which such appointment is made.

(2) The certificate will set forth the grounds upon which the holder is deemed to be a European of the class described in Rule I.

(3) Such certificate shall not be given to any person who is qualified for appointment under 33 Vict. c. 3, sec. 6.

(4) The decision of the Government of India as to the granting or refusing of such a certificate is final.

V.—Exchange Compensation is not admissible to—

- (a) Persons temporarily appointed to the service of Government for a specified duty only, upon allowances definitely fixed for the particular case ;
- (b) Persons serving under a contract in which their allowances are definitely fixed, which is not preliminary to employment in one of the regular services of the Government, and five years of service under which have not elapsed ;
- (c) Persons who are not members of any regular Service, and who are employed in a professional capacity (such as lawyers, teachers, lecturers, clergymen, medical men), without being debarred from the private exercise of their profession.

VI.—If any part of an officer's salary is fixed in sterling, and is converted into rupees at the rate of exchange fixed annually for the adjustment of transactions between England and India, the allowance is payable only in respect of the excess, if any, of the portion of his salary not fixed in sterling, over the portion fixed in sterling.

When a wound or good service pension due to an officer serving in India, is received by him in sterling in England, an abatement should be made from the Exchange Compensation drawn in India, the amount of the abatement being equal to the amount by which the equivalent of the sterling pension at the official rate of exchange is exceeded by that at the market rate fixed for the quarter for the payment of Exchange Compensation.

Subsidiary Rules.

VII.—The allowance is granted in the form of a percentage on the officer's salary, which will be calculated by the Comptroller General each quarter, and notified by him about the 15th day of the final month in the preceding quarter. Subject to the limits prescribed in Clause 2 it will be based on the amount by which the average demand rate of exchange in Calcutta during the quarter ending on the date named falls short of the privileged rate of exchange.

VIII.—The percentage fixed for any quarter is applicable to all payments of salary falling due during that quarter. Thus the percentage for the July to September quarter applies to salary payable between the 1st of July and 30th of September, which ordinarily is the salary for June, July, and August.

When salary is drawn for a portion of a month Exchange Compensation is admissible only for that portion of the month, and the maximum monthly limit, if applicable, must be proportionately reduced.

IX.—The allowance is payable, month by month, with pay, and under the rules under which pay is drawn ; and it will be charged as pay, but under a separate detailed head. In the case of officers whose emoluments are governed by the Civil Service Regulations, the allowance is admissible only on salary as defined in Article 47. In the case of officers whose emoluments are governed by the Indian Army Regulations, it is admissible only on pay, Indian allowances, and Staff pay.

Deputation allowance does not come within the definition of "salary" in Article 47 of the Civil Service Regulations, and consequently Exchange Compensation is not admissible in respect of it. But if in any case deputation allowance has been specially permitted to count as salary for calculating leave allowance it may also count for Exchange Compensation.

X.—Exchange Compensation is admissible on leave allowances fixed in rupees and drawn in India.

XI.—Exchange Compensation is not admissible, under the orders of the Government of India, to Government Officers in Foreign Service. The Government of India, however, so far as they are concerned, agree to the grant of it to such officers under the present rules and restrictions. But it is in each case for the foreign employer to decide in the first instance whether he is willing to grant the allowance or not. If he signifies his desire to give the allowance, the sanction of the Local Government by whom the officer's services were lent should be applied for, with a full statement of the grounds on which the officer considers himself to be eligible for the allowance.

XII.—Family remittances of pay are not permissible to any officer who is, at the time in respect of which the pay is due, in receipt of Exchange Compensation.

XIII.—These Rules shall come into force with effect from the 1st of April 1897, provided that officers to whom Exchange Compensation would not be admissible under these rules, but who have been admitted to it under the rules previously in force, will continue to draw it to the extent of the salaries they were drawing on the 1st of April 1897; but any increase in their salary after that date will be taken in reduction and ultimately in extinction of the claim to the allowance.

No. 4.

FINANCE AND COMMERCE DEPARTMENT.

No. 4217.—Ex-dated 21st September 1897.

Read—

Resolution by the Government of India, Finance and Commerce Department, No 2422 Ex., dated the 31st May 1897, and Rule XIII. of the revised rules for the grant of Exchange Compensation Allowance promulgated therewith, which runs as follows:—

XIII.—These rules shall come into force with effect from the 1st of April 1897, provided that Officers to whom Exchange Compensation would not be admissible under these Rules, but who have been admitted to it under the Rules previously in force, will continue to draw it to the extent of the salaries they were drawing on the 1st of April 1897; but any increase in their salary after that date will be taken in reduction and ultimately in extinction of the claim to the allowance.

Resolution—The orders contained in paragraph 12 of the above Resolution directed that Rule XIII, so far as it provides for the withdrawal of the Exchange Compensation Allowance from Officers who have been admitted to it under past rules, would not be brought into force until the lists (a) of offices in which European qualifications are held to be indispensable, and (b) of services and departments in which a proportion of Europeans is held to be indispensable, should have been considered and determined. When these orders were issued, it was anticipated that the lists would be prepared and approved within a period of three months from the date of issue of the Resolution. More than that period has, however, already elapsed, and it is now evident that it will not be possible to finally settle the lists for some time.

2. His Excellency the Governor-General in Council considers it undesirable to postpone any longer the operation of the orders of the Secretary of State, and accordingly directs that the rule be brought into force at once in cases of Officers who were appointed in India and whose salary is less than Rs. 400 a month, inasmuch as they, as a general rule, will not fulfil the conditions required to entitle them to the allowance, and also in all other cases in which the Head of the department or office in which the officer serves, considers that there is reasonable doubt whether the officer will be eligible under the new rules. No recoveries need be made of amounts passed in respect of any salary for the month of August 1897 or earlier months; but it must be understood that all amounts drawn for subsequent months will be subject to re-adjustment under Rule XIII., if the Officer concerned is finally declared ineligible.

3. The Governor-General in Council takes this opportunity to explain that the intention of Rule XIII. is to continue to officers who have been drawing exchange compensation allowance under the old rules, but are not entitled to it under the new, Exchange Compensation Allowance at the rate of fixed quarterly by the Comptroller General, in respect of the salary which they were drawing on the 1st April 1897, such allowance being subject to reduction to the extent of any increase of salary on or after 1st April 1897, so as to be gradually absorbed in such increase.

No. 5.

FINANCE AND COMMERCE DEPARTMENT.

No. 4936-Ex. dated 8th November 1897.

Read—

Resolution by the Government of India, Finance and Commerce Department, No. 2422-Ex., dated 31st May 1897.

Paragraph 4 of the letter from the Government of the North-Western Provinces and Oudh, No. 4265, dated the 8th September 1897.

Letter from the Government of the North-Western Provinces and Oudh, No. 4593-X. 28-1, dated 2nd October 1897.

Resolution.—In paragraph 8 (2) of the Resolution cited in the preamble, the Police Department was mentioned as one in which a proportion of Europeans is held to be indispensable. His Excellency the Governor-General in Council is now pleased to decide that the offices of Assistant District Superintendent of Police and District Superintendent of Police are offices for which European qualifications are indispensable, and that Exchange Compensation Allowance may be admitted to any European, not being a Statutory Native, who has been or may hereafter be appointed to either of these offices direct (*i.e.*, not by promotion from the subordinate grades), and whom the Local Government may consider to have been appointed "as a European."

No. 6.

FINANCE AND COMMERCE DEPARTMENT.

No. 3692-Ex.

Simla, the 22nd August 1898.

Read again—

Resolution by the Government of India, Finance and Commerce Department, No. 2422-Ex., dated the 31st May 1897, and the revised rules for the grant of Exchange Compensation Allowance appended thereto.

Read also—

Despatch from Her Majesty's Secretary of State for India, No. 63 (Military), dated the 23rd June 1898.

Resolution.—Clause (b), Rule V. of the rules cited in the preamble runs as follows :—

"Exchange compensation is not admissible to persons serving under a contract in which their allowances are definitely fixed, which is not preliminary to employment in one of the regular services of the Government, and five years of service under which have not elapsed."

With reference to a recent Despatch from Her Majesty's Secretary of State for India, His Excellency the Governor-General in Council is pleased to direct that the following note be inserted after this clause :—

"NOTE.—This clause relates only to persons appointed under a written contract in India. A European so appointed in England will, under paragraph 3 of the Resolution publishing the rules, be entitled to Exchange Compensation Allowance if his salary is not fixed in sterling, and there is nothing in his agreement to exclude him from the allowance."

No. 7.

FINANCE AND COMMERCE DEPARTMENT.

No. 4847-Ex.

Simla, the 5th November 1898.

Read again—

Resolution by the Government of India, Finance and Commerce Department, No. 2422-Ex., dated 31st May 1897.

Resolution by the Government of India, Finance and Commerce Department, No. 4936-Ex., dated 8th November 1897.

Resolution.—In the Resolution of 31st May 1897, cited in the preamble, with which the revised rules for the grant of Exchange Compensation

Allowance were promulgated, certain general orders were issued as to the list of (a) offices in which European qualifications are indispensable, and (b) services and departments in which a proportion of Europeans is held to be indispensable, and Local Governments and Departments were invited to make any recommendations for further inclusion in the lists. These having now been received from almost all quarters, his Excellency the Governor-General in Council is pleased to issue the following further orders as to what are the appointments by virtue of holding which an officer, *appointed in India*, not being a statutory native, becomes entitled to Exchange Compensation Allowance.

It should be clearly understood in all cases that the present orders relate solely to the question as to what are the appointments by virtue of holding which an officer, if not otherwise excluded, becomes entitled to Exchange Compensation Allowance. They do not, therefore, render a person appointed in India eligible for the allowance, if he is a *native of India* within the definition of that term in Statute 33 Vict. cap. 3, section 6.

PUBLIC WORKS DEPARTMENT.

2. Excluding the Account Branch, certain special and technical appointments, and the clerical staff, which will be dealt with further on, the establishments of the Public Works Department appointed in India may be classed for the purposes of the Resolution as under :--

3. *Engineering, including the Engineering Staff of State Railways.*

I.—*Superior Establishments.*

(a) Engineers appointed in India who have by reason of their previous European training been placed on an equal footing with Engineers appointed from Europe by the Secretary of State.

A list of the officers falling under this category is given in Appendix 13 of the Civil Service Regulations.

(b) Special Engineers taken over from Railway Companies.

(c) European and Eurasian Engineers appointed from the Indian Colleges before recruitment from those Colleges was limited to statutory natives.

(d) Other European and Eurasian Engineers appointed direct before recruitment was limited to officers sent out from England and officers appointed from the Indian Colleges.

This category includes a few officers appointed after passing the direct examination of the Thomason College.

(e) European and Eurasian Engineers appointed from the Indian Colleges after recruitment from the Colleges was limited to statutory natives.

This category includes Engineers appointed from the Colleges to the Provincial Engineering Establishment.

(f) Europeans and Eurasians appointed to the Provincial Engineer Establishment by promotion from the Upper Subordinate Establishment.

II. — *Upper Subordinate Establishment of Sub-Engineers, Supervisors, and Overseers.*

(a) Military non-commissioned or warrant officers.

(b) Others recruited without restriction as to being statutory natives from the Indian Colleges and other sources.

III.—*Lower Subordinate Establishment of Sub-Overseers, Maistries, &c.*

Of these classes I. (a), I. (b), and II. (a) are eligible. Classes I. (e) and III. are not eligible. As regards Classes I. (c), I. (d), and II. (b), orders will be passed hereafter. "Provincial" Officers are dealt with in paragraphs 7 and 8.

4. *Establishments of State Railway*.—Excluding Engineering staff which has been dealt with above, and consisting of,—

I.—*Superior Establishments*.

(a) Managerial, in which the appointments are filled by selection in India from the Engineering, Traffic, and other branches of the Public Works Department Establishment. Europeans only are selected.

(b) Traffic, recruited partly by selection of officers from other branches, partly by promotion of deserving subordinates, and partly by direct appointment—since 1897 all officers appointed direct are taken from Coopers Hill. These officers are Europeans with a sprinkling of Eurasians, and one native who is a promoted subordinate.

(c) Locomotive, consisting entirely of Europeans either appointed from England or in India after European training, or taken over from companies.

(d) Storekeeper's Branch, also consisting entirely of Europeans, with a few Eurasians, taken over from companies, and recruited either by direct appointment or transfer or promotion from other establishments.

II.—*Subordinate Establishments*, including open line, maintenance, traffic, and locomotive hands, holding appointments on the sanctioned cadre of the several lines as distinguished from the fluctuating staff, *e.g.*, engine drivers, firemen, guards, ticket-collectors, wheel-testers, station masters at the smaller stations, &c., and comprising—

(a) pensionable hands, appointed before service in the Railway Revenue Establishments was made non-pensionable ;

(b) non-pensionable hands appointed since.

The Superior Establishments under Class I. are essentially European in character, and the appointments included therein will qualify for Exchange Compensation Allowance, subject to the proviso that promoted subordinates in the Traffic Branch, and officers transferred thereto from other branches, will not be eligible for the allowance unless they drew it in their former capacity.

Of the pensionable men under Class II. (a) 42 at present hold appointments carrying a maximum pay of Rs. 250 and over. These appointments may be admitted as qualifying.

As regards the subordinate establishment under Class II. (b) most of these will be covered by an arrangement now under consideration, by which all non-pensionable subordinates on pay not exceeding Rs. 450 will be outside the ordinary Exchange Compensation Allowance Rules, European members of the staff being eligible (within the Rs. 450 limit) for increased pay with reference to the market value of their services. Eight appointments which will remain outside this arrangement will qualify for Exchange Compensation Allowance.

5. The Superior Establishment of the Indian Telegraph Department is recruited from England, but at present contains four other officers, *viz.*, two officers transferred from the Indo-European Telegraph Department, and two promoted from the subordinate establishment before the constitution of a Provincial Service. These hold qualifying appointments. Future promotions from the Subordinate Department will be to the Provincial Branch of the service which is not eligible.

In the subordinate grades of the Indian Telegraph Department soldiers employed as signallers and telegraph masters are eligible.

6. The Indo-European Telegraph Establishment, even in its subordinate grades, is one which has to be selected largely with reference to European qualifications, and the Europeans contained therein should on this account be admitted to Exchange Compensation Allowance.

PROVINCIAL SERVICES.

7. The general Provincial Services are the staff of Deputy Collectors and Extra Assistant Commissioners on the Executive side, and Sub-Judges, Munsiffs and the like on the Judicial side. They are entirely recruited in

India, and the great majority of their members are Asiatic natives. Though they contain a sprinkling of Europeans, most of these are statutory natives.

The members of these Provincial Services are entirely outside the Exchange Compensation Allowance Rules.

8. The same ruling will apply to other Provincial Services existing alongside of, or in subordination to, an Imperial Branch of the same Department, as in such cases the necessary European element in the service is taken as being supplied by the Imperial Branch. Accordingly members of the Public Works, Telegraph, Forest and Survey Provincial Services are ineligible for Exchange Compensation Allowance, and this also applies (with certain exceptions to be mentioned hereafter) to the Provincial Educational Service.

ACCOUNT DEPARTMENTS.

9. There are in the main three Account Establishments in India—the Civil, the Public Works, and the Military. The Civil, excluding the few appointments filled from the Indian Civil Service, is composed of—

(1) The "Enrolled List," which consists of—

(a) Officers recruited in India, under a special system, as *Europeans* by nomination and examination, or by nomination alone before the method of recruitment by examination was introduced. (This class is now recruited by the Secretary of State in England);

(b) Officers similarly recruited, but by separate recruitment as statutory natives;

(c) Officers promoted from subordinate positions.

(2) Chief Superintendents and Subordinate Account Service.

Of these, (1) (a) only is within the conditions of the Exchange Compensation Allowance.

10. The Public Works Accounts Service is composed of—

(1) The Superior Accounts Branch, which consists of—

(a) European officers appointed as *Europeans* by nomination or by nomination and examination. These appointments are now made in England from the Royal Indian Engineering College;

(b) Officers taken over from Companies;

(c) Officers transferred from the Engineering and Traffic Branches of the Public Works Department,

(d) Officers promoted from subordinate grades.

(2) The Subordinate Accounts Establishment.

Of these, (1) (a) and (1) (b) are admissible. The eligibility of officers in Class (1) (c) will depend on whether they were allowed Exchange Compensation Allowance in their previous appointments. Orders in regard to Classes (1) (d) and (2) are reserved.

11. The Military Accounts Department is composed of—

(1) The Superior Service, which consists of—

(a) Commissioned officers of the Army.

(b) Officers promoted from the Subordinate Service.

(2) The Subordinate Account Service.

Of these, (1) (a) are eligible as Europeans appointed in England. Orders will issue later regarding (1) (b) and (2).

12. The question whether the Examinership of Marine Accounts should be classed as an appointment which should in itself carry Exchange Compensation Allowance will be settled later on. In the meantime the Examiner will be eligible if appointed from the Royal Navy or Royal Indian Marine, or from the eligible grades of any of the Accounts Departments.

TECHNICAL APPOINTMENTS.

13. There is a numerous class of appointments which may be grouped together as technical appointments, and dealt with here :—

- (1.) In the Public Works Department there are the Superintendent, Assistant Superintendent, and Mechanical Draftsman, Roorkee Workshops, and Mine Managers and Overmen.
- (2.) The Military Department employ a large number of miscellaneous mechanics and artisans ; mechanics of Ordnance Establishments other than those who possess claims by reason of being enlisted soldiers or officers serving under covenant ; professional tailors in the Army Clothing Department, and leather workers in the Ordnance Department ; boatswains, sailmakers, gunners, and similar dockyard artisans who mostly occupy the position of foreman of working establishments.
- (3.) On the Mint establishments, there are mechanical engineers and engravers, and other artisans.
- (4.) In the Survey Department there are artisans in its workshops, and trained Engravers, Lithographers and Photographers.
- (5.) In the Civil Department there are Inspectors of Boilers and of Explosives and Curators of Museums and Gardens, and their assistants.
- (6.) Ordnance and Dockyard Storekeepers are also in this category.

In many cases these men are appointed by the Secretary of State and sent out to India ; in others they are appointed in India. So far as men appointed in India are serving under contract, their case is provided for by the rules. So far as they are not, they should be considered eligible for Exchange Compensation Allowance if they have, as a matter of fact, before their appointment, acquired their professional training or qualifications in Europe, or in Government establishments, or under European firms in India. But a man appointed without such previous training, and afterwards acquiring it in Government employ, has obviously not been appointed to Government employ by reason of any special European qualification.

14. The above principle applies also to those officers who are engaged in regulating or supervising large mechanical establishments. In commercial life, mill-owning firms and the like consider Europeans necessary for the posts of Superintendents of their working establishments, and in Government establishments of the same kind, such offices may be regarded as requiring European qualifications. Such appointments as Superintendent and Deputy Superintendent of Government Presses and also heads of Jail Workshops and of the Postal Workshop at Aligarh should, therefore, carry a title to Exchange Compensation Allowance.

15. Orders will hereafter issue with reference to Civilian Overseers at the Remount Depôts.

MARINE APPOINTMENTS.

16. The principal Marine Appointments come under the principle which applies to "Technical Appointments," namely, that for them a kind of skill and knowledge is necessary which is practically to be acquired only in Europe or European employment. Therefore all Europeans holding appointments in connexion with ports that are prescribed either by Act of Parliament or by Indian Law (Port Officers, Ship Surveyors, Shipping Masters, and their Deputies and Assistants), Captains and other officers and Engineers of

Government vessels,* Health Officers of Ports, River Surveyors, Bengal Pilot Service, should be entitled to Exchange Compensation Allowance. In this last case there is a small local service which is ineligible. Agents, Government Consignments, may be reckoned as eligible under this class.

17. European lighthouse-keepers who are of the class of able seamen or selected from the class of sea-going mariners may also be regarded as eligible for Exchange Compensation Allowance.

LEARNED PROFESSIONS.

18. Appointments limited by rule or ordinary practice to Barristers or persons having an English Medical degree may be reckoned as carrying Exchange Compensation Allowance in the case of persons possessing these qualifications; but Uncovenanted Medical Officers appointed in India to posts which are also open to Civil Assistant Surgeons, a class of officers not entitled to the Allowance, are not eligible. Chaplaincies, which are usually held by graduates of English Universities, will carry Exchange Compensation Allowance under this category when filled in India.

But in several of these cases it has to be borne in mind that Exchange Compensation Allowance is not given to men who are not whole-time officers of Government, and who merely receive a fee in respect of part of their time given to public duties.

19. Gentlemen holding appointments as scientific experts must be similarly classed as eligible for Exchange Compensation Allowance, and this applies not only to isolated appointments mostly under Scientific and Minor Departments, but to such departments as the Geological, the Botanical, the Civil Veterinary and the Archæological.

By "experts" is meant persons who are selected for particular appointments by reason of their being already experts, and not men who merely become so by their being trained as assistants in Government service.

POLICE AND JAIL DEPARTMENTS.

20. Under the Resolution of this Department No. 4936-Ex., dated the 8th November 1897, Exchange Compensation Allowance is admissible to any European whose first appointment in the Police Department was in a post not lower than that of Assistant Superintendent. The principal appointments in the Jail Department also require European qualifications and officers of and above the rank of Assistant Superintendent in that Department who were appointed to these appointments direct may also be regarded as eligible.

21. Proposals have been made to include as appointments qualifying for the allowance a few appointments of lower grade. First, in the Police, the claim is made for A Class Inspectors in Burma ("Gentlemen Inspectors," from whom Assistant Superintendents are often selected). These may be admitted, as also the similar cases in some provinces where men are, or have been, specially appointed as Inspectors for a time only in pursuance of a system of recruitment for Assistant Superintendencies, or pending the occurrence of a vacancy. The same will apply to any analogous case that may exist in the Jail Department. It has also been laid down, in some provinces at least, that the District Reserve Inspectors of Police should be Europeans, and these officers, and on similar grounds the Jailors of Presidency and Central Jails, may also be admitted.

22. European Constables and European Sergeants of Police, and European Warders in those Jails in which special accommodation is provided for Europeans, require European qualifications and are appointed by reason of their possessing them; at the same time, they are hardly within the classes for whom Exchange Compensation Allowance is intended, and the most suitable form of order regarding them that commends itself to His Excellency in Council is that they should be considered eligible until their Local Government reconsiders and revises the salaries attached to the appointments.

23. Superintendents in the Presidency Police forces should be considered eligible.

OPIUM DEPARTMENT.

24. Officers of this Department of and above the rank of Assistant Opium Agent should be regarded as eligible for Exchange Compensation Allowance.

SALT DEPARTMENT.

25. In the Salt Department executive appointments are chiefly officered by Europeans, domiciled and non-domiciled, the number of Asiatic natives in all but the lowest appointments being comparatively small. It is accordingly ruled that all officers of the Salt Department holding appointments not lower in rank than that of Assistant Superintendent in Northern India, Assistant Inspector in Madras and Inspector in Bombay, shall, if otherwise eligible, obtain Exchange Compensation Allowance.

CUSTOMS DEPARTMENT, &c.

26. The administering officers of the Customs Department have a good deal to do with European ships and European merchants, and officers of the rank of Assistant Collector and upwards may be classed as eligible. Appraisers, Gaugers and Inspectors at present on the establishment, and such of the officers of these classes as may hereafter be appointed as *Europeans*, may also be regarded as eligible. But this ruling will not apply to officers whose Customs Work is of a ministerial character such as Accountants, Superintendents of Statistics, &c.

27. Members of the Customs Preventive Service, including the two Superintendents of the Excise Detective Establishment, Calcutta Collectorate, in regard to whom reference has been made by the Bengal Government, are eligible.

POST OFFICE.

28. The following categories are part of the indispensable European element of the Department :—

- (1) All ranks senior to Superintendents ;
- (2) The Sea Post Office Establishment ;
- (3) The Aden Post Office Establishment ;

and Europeans filling these posts will be eligible.

29. In 1880 the Director-General was directed to arrange his recruitment for Superintendencies of Post Office so as to provide a proportion of Europeans for certain special posts, and the necessity for this has now been more prominently brought to notice in connection with Postal work on Military expeditions. Accordingly European Superintendents to the extent of 10 per cent. of the whole body of this class may be admitted to Exchange Compensation Allowance.

EDUCATION DEPARTMENT.

30. This Department is divided into an Imperial and a Provincial Service, which primarily gives the division between eligibility and non-eligibility—see paragraph 8 above. But Head Masterships and Head Mistress-ships (by whatever designation known) of all technical colleges or schools and of all schools specially established for Europeans, and such special appointments (not being Heads) as those instanced below, may be included among those carrying Exchange Compensation Allowance :—

- (1) Professor and Superintendent, Seebpur Engineering College.
- (2) Assistant Superintendent, School of Art, Calcutta.

SURVEY AND FOREST DEPARTMENTS.

31. These are Departments which are divided into an Imperial and a Provincial Service. All officers in the Imperial Service of both Departments are eligible, if otherwise qualified. As stated in paragraph 8 of this Resolution officers in the Provincial Service of these Departments are not eligible,

SECRETARYSHIPS AND HEADS OF DEPARTMENTS.

32. The holders of Secretaryships under Governments (including Joint, Deputy, Under and Assistant Secretaryships) should, if Europeans and not already qualified by reason of the service to which they belong, obtain Exchange Compensation Allowance.

33. The same rule is applicable to Registrarships and Deputy Registrarships in High Courts.

34. On the same principle Heads of Departments are included generally. Most of them will no doubt be qualified by reason of the service to which they belong ; but where they are not, they are, if Europeans, entitled to the allowance.

35. Superintendents of Stamps and officers holding special appointments as Income-tax Collector at a Presidency Town are also eligible.

PERSONAL STAFF.

36. The personal staff of the Governor-General and Heads of provinces (when not admissible by reason of the service to which they belong) and also the heads of the clerical staff of Private and Military Secretaries are included

CLERICAL AND MINISTERIAL APPOINTMENTS.

37. These cases, including Registrars and Superintendents as well as purely clerical members of establishments, are reserved for further orders, save that on the establishment of the Foreign Office under the Government of India, twelve appointments above the grade of Rs. 100—150 shall be regarded as the number of appointments which it may be necessary to fill with Europeans who are not statutory natives, and within that limit Exchange Compensation Allowance will be admissible to the establishment of that office.

The question whether there are any other civil office establishments in which a proportion of Europeans, not being statutory natives, is indispensable has not yet been finally settled, and if it should be decided that there are any such, orders in regard to them will issue later on.

MILITARY SUBORDINATES AND WARRANT OFFICERS ; AND CLERKS IN MILITARY OFFICES INCLUDING THE MILITARY SECRETARIAT OF THE GOVERNMENT OF INDIA.

38. If an appointment on an establishment (including ministerial establishments) connected with the administration of the Army is by rule or practice held by a man who is borne on the strength of the British Army, such a person holding such an appointment will be eligible for Exchange Compensation Allowance. Warrant and Honorary Commissioned Officers of the Subordinate Military Medical Service will come under this category.

To other members of these establishments the orders in paragraph 37 apply.

TRANSFER FROM AN ELIGIBLE TO A NON-ELIGIBLE APPOINTMENT.

39. The case of an officer transferred from a service or appointment in which he is eligible for Exchange Compensation Allowance to one which does not carry the allowance should be dealt with as follows. So long as such an officer substantively belongs to the eligible service or appointment, and merely officiates in the other, he should retain his claims ; but when he is substantively transferred, he should not get the allowance if he would not have drawn it had he been originally recruited for his new service or appointment.

GRANT OF EXCHANGE COMPENSATION ALLOWANCE TO LOCAL FUND AND MUNICIPAL SERVANTS.

40. The orders issued by the Government of India on the subject of Exchange Compensation Allowance apply *proprio vigore* only to officers paid from general revenues. Their application to officers serving under Local Boards and Municipalities is a matter to be settled by Local Governments so far as these have legal and financial power to enhance the salaries of such officers. To this extent Local Governments may sanction any increase in the salaries of the Local Board or Municipal servants by way of exchange compensation, provided that the concessions so made in no case exceed what such officer would have been eligible for by way of Exchange Compensation Allowance had he been serving under Government. It must also be borne in mind that, as stated in paragraph 3 of the preamble to the Exchange Compensation Allowance Rules issued with this Department's Resolution of 31st May 1897, No. 2422-Ex., no vested rights to receive compensation for fall in exchange can in any case be recognised.

No. 8.

FINANCE AND COMMERCE DEPARTMENT.

No. 5040-Ex.

Simla, the 17th November 1898.

Read—

Resolution by the Government of India, Finance and Commerce Department, No. 4217-Ex., dated the 21st September 1897.

Resolution by the Government of India, Finance and Commerce Department, No. 4847-Ex., dated the 5th November 1898.

Resolution.—Officers of the classes to which Exchange Compensation Allowance is admitted by the resolution of 5th November 1898 read above, but who have not yet drawn it, may now be admitted, with effect from the 1st April 1897 (*vide* Rule XIII. of the rules issued with this Department's Resolution of 31st May 1897, No. 2422-Ex.), with the sanction of the Local Government to which they are subordinate or, in the case of officers of Imperial Departments, of the Head of their department. Cases in which there is doubt as to the title of an officer to the allowance with reference to the Statutory definition of a native of India, or as to the appointment which he holds being a qualifying one, must be referred through the proper channel to the Government of India in the Finance and Commerce Department.

2. In the case of officers who have hitherto drawn Exchange Compensation Allowance, but to whom it is by the Resolution of 5th November 1898 declared to be inadmissible, the allowances drawn in respect of salary for the month of September 1897, and subsequent months (*vide* paragraph 2 of the Resolution in this Department of 21st September 1897, No. 4217-Ex.) and to be drawn in future, will be adjusted under Rule XIII. above referred to, as prescribed in paragraph 12 of the Resolution of 31st May 1897.

Rule XIII. and the orders of 21st September 1897, are for convenience of reference quoted below :—

“Rule XIII.—These rules shall come into force with effect from the 1st of April 1897, provided that officers to whom Exchange Compensation would not be admissible under these rules, but who have been admitted to it under the rules previously in force, will continue to draw it to the extent of the salaries they were drawing on the 1st of April 1897, but any increase in their salary after that date will be taken in reduction and ultimately in extinction of the claim to the allowance.”

Orders of 21st September 1897 :—

His Excellency the Governor General in Council directs that the rule (Rule XIII.) be brought into force at once in cases of officers who were appointed in India and whose salary is less than Rs. 400 a month, inasmuch

as they, as a general rule, will not fulfil the conditions required to entitle them to the allowance and also in all other cases in which the Head of the department or office in which the officer serves considers that there is reasonable doubt whether the officer will be eligible under the new rules. No recoveries need be made of amounts passed in respect of any salary for the month of August 1897, or earlier months, but it must be understood that all amounts drawn for subsequent months will be subject to readjustment under Rule XIII. if the officer concerned is finally declared ineligible.

No. 9.

FINANCE AND COMMERCE DEPARTMENT.

No. 2418-Ex.

The 26th May 1899.

Read—

Resolution by the Government of India, Finance and Commerce Department, No. 2422-Ex., dated the 31st May 1897.

Resolution by the Government of India, Finance and Commerce Department, No. 4847-Ex., dated the 5th November 1898.

Resolution by the Government of India, Finance and Commerce Department, No. 5040-Ex., dated the 17th November 1898.

Resolution.—The claim of an officer appointed in India to receive Exchange Compensation Allowance under the rules at present in force depends on two factors, which may be described as *personal* and *official* eligibility.

Personal eligibility is obtained only by being outside “the class to which an important privilege as to appointment in India is secured by the “Statute 33 Vict., cap. 3” (paragraph 4 of Resolution in this Department, No. 2422-Ex., dated 31st May 1897).

Official eligibility depends on the tenure of an appointment, or the membership of a service or department, which has been declared by the Government of India to render its holder or member entitled to Exchange Compensation Allowance if personally eligible.

2. The Resolution in this department, dated 5th November 1898, No. 4847-Ex., has given detailed instructions in regard to official eligibility, and the Government of India now consider it desirable, in order to reduce the references which have hitherto been made to them on the subject, to lay down more specific instructions than have yet been promulgated in regard to the determination of personal eligibility.

3. It will be recollected that in the circular letter of the Government of India in the Home Department, dated 18th April 1879, No. 21—746-53, it

* That is, a person born and domiciled within the dominions of Her Majesty in India of parents habitually resident in India and not established there for temporary purposes only.”

was ruled that no person other than a native of India as defined in Section 6 of 33 Vict., cap. 3*, should save in certain excepted departments, be there-after appointed to an office carrying a salary of Rs. 300 a month or upwards without the special sanction of the Governor-General in Council. Persons who belong to the class (natives of India) who are thus protected as against outside competitors are not eligible for Exchange Compensation Allowance. In the case, therefore, of a claimant for Exchange Compensation Allowance who has been born in India and whose father was at that time in the country, the first thing to be considered is not the appointment or department which he at present holds or belongs to, but whether, if he had at the time he first entered Government service been an applicant for a post to which the restrictive orders of 1879 apply (a Deputy collectorship, for example), he could have been appointed thereto without the special sanction of the Government of India. An Indian-born applicant for such a post would not, whatever his race, be regarded as falling under the restrictive orders of 1879 if he had been wholly or mainly brought up in this country. It follows, therefore, that a man of this description should be held *primâ facie* ineligible on personal grounds for Exchange Compensation

Allowance, whatever his actual appointment may be, and if he demurs to this presumption, it will fall upon him to show fully and clearly—

- (a) that he was not domiciled in India at the time of his first appointment to Government service ; or
- (b) that his parents were only temporary residents in this country.

If he cannot do this, his claim fails.

4. The disposal of “ personal eligibility ” claims to Exchange Compensation Allowance should further be subject to the following principles :

- (1) In all cases in which the question whether or not the officer concerned is a “ Statutory native ” has already been raised in connection with some claim of his to the privileges of a Statutory native, the decision then arrived at must be regarded as final.
- (2) All persons who have, subsequent to the promulgation of the orders of the 18th April 1879, above referred to, been admitted to Government service without the special sanction of the Government of India under circumstances which would have necessitated such sanction had they not been regarded as Statutory natives, must be deemed personally ineligible for Exchange Compensation Allowance.

5. The case of men entering the Government service subsequent to the issue of the Exchange Compensation Allowance rules promulgated with this Department’s Resolution of 31st May 1897, No. 2422-Ex., is governed by No. IV. of those rules, which requires, as a condition of eligibility for Exchange Compensation Allowance, the grant of a certificate which must be withheld from anyone who is qualified for appointment under 33 Vict., cap. 3, section 6, In determining whether a certificate should be withheld on this ground, Local Governments will bear in mind the principles enunciated in paragraphs 3 and 4 of the present Resolution.

6. Cases already referred to the Government of India and now pending will be disposed of by them ; but all other cases should be dealt with by Local Government under the above instructions. In any case coming before it, which the Local Government considers doubtful either in regard to the personal or the official eligibility of the claimant, reference will be made direct to the Government of India in the Finance and Commerce Department. It is hoped, however, that the present instructions will greatly diminish the number of such references.

7. Where a Local Government has decided that an officer is not a Statutory native for the purposes of the New Exchange Compensation Allowance Rules, and does not consider a reference to the Government of India to be required, audit officers will accept the decision as final.

8. Departments of the Government of India, other than the Financial Department, will exercise the powers of Local Governments under the Resolution in the case of officers serving directly under them.

No. 10.

FINANCE AND COMMERCE DEPARTMENT.

Simla, the 5th June 1899.

No. 2556—Ex.

Read—

Resolution by the Government of India, Finance and Commerce Department, No. 4847—Ex., dated the 5th November 1898, promulgating orders as to what are the appointments by virtue of holding which an officer, appointed in India, not being a statutory native, becomes entitled to Exchange Compensation Allowance.

Despatch to Her Majesty’s Secretary of State for India, No. 8, dated the 5th January 1899.
Despatch from Her Majesty’s Secretary of State for India, No. 79 (Financial), dated the 27th April 1899.

Resolution.—Orders were reserved in the Resolution of 5th November 1898 in regard to the eligibility for Exchange Compensation Allowance of the following officers and appointments recruited in India :—

- (1) European and Eurasian Engineers appointed from the Indian Colleges before recruitment from those Colleges was limited to Statutory natives.
- (2) European and Eurasian Engineers appointed direct before recruitment was limited to officers sent out from England, and officers appointed from the Indian Colleges.
This category includes a few officers appointed after passing the direct examination of the Thomason College.
- (3) Non-military Upper Subordinate Establishment of Sub-Engineers, Supervisors and Overseers employed in the Public Works Department and in the Military Works Department.

NOTE.—This category includes pensionable subordinates of the same class in the Railway Branch, not belonging to any of the classes of railway employees referred to in paragraph 4 of the Resolution of 5th November 1898.

- (4) Subordinate Account Establishments of the Public Works and Military Departments and officers promoted therefrom to the superior branch of the same establishments.
- (5) Examinership of Marine Accounts.
- (6) Civilian overseers at the Remount Depôts.
- (7) Clerical and ministerial appointments in Government Offices other than those which are admitted in paragraphs 36, 37 and 38 of the Resolution of 5th November 1898.

2. Under instructions from the Secretary of State, His Excellency the Governor-General in Council is now pleased to pass the following orders in regard to each of the classes of officers and appointments above specified :—

- (a) Engineer Officers of the classes specified are eligible, and may be admitted to Exchange Compensation Allowance if not personally debarred as statutory natives of India.
- (b) It is the declared policy of the Government that the Non-military Upper Subordinate establishments referred to in clause (3) of paragraph 1 should be filled with persons born and brought up in India. Exchange Compensation Allowance will not, therefore, be issued to persons appointed to that establishment after 31st March 1887. The allowance may, however, be granted as a special concession to those who were members of it on that date and are personally qualified.
- (c) The Subordinate Account establishments of the Public Works and Military Departments are not establishments in which a proportion of Europeans is indispensable, and members of these establishments are therefore not eligible for Exchange Compensation Allowance.
The Superior Branches of these establishments are officered by systems intended to secure a considerable European element, and those who have not been admitted through such channels cannot be held to have been appointed as Europeans. Officers promoted from the subordinate grades are therefore not eligible. As a special concession, however, the few officers in the Public Works Accounts Departments who were promoted to the Superior Establishment before 1st January 1893 may be treated as eligible if personally qualified.
- (d) The Examinership of Marine Accounts cannot be classed as an appointment which should in itself carry Exchange Compensation Allowance. But an officer selected for the appointment from the Royal Navy or Royal Indian Marine or from the eligible grades of any of the Accounts Departments will be eligible if otherwise qualified.
- (e) The duties of civilian overseers at the Remount Depôts are not of such a character as to require such European qualifications as

cannot be found among Statutory natives of India. They cannot, therefore, be regarded as eligible for Exchange Compensation Allowance.

- (f) The duties of clerical and ministerial appointments generally are such as can be discharged by native agency, pure and statutory, and no claim can be recognised on behalf of the few Europeans, not being Statutory natives, in clerical and ministerial employ who are not eligible under paragraphs 36, 37 and 38 of the Resolution of 5th November 1898.

3. It should be clearly understood that these orders merely supplement those contained in the Resolution of 5th November 1898, and are subject to the condition laid down in the latter part of paragraph 1 thereof that they do not render a person appointed in India eligible for the allowance, if he is a native of India within the definition of that term in Statute 33 Vict. c. 3, s. 6.

No. 11.

PUBLIC WORKS DEPARTMENT.

No. 1377 G.

GOVERNMENT OF INDIA.

To—

The Secretary to the Government of Madras, Public Works Department.
The Joint Secretary to the Government of Madras, Public Works Department, Railway Branch.

The Secretaries to the Government of Bombay, Public Works Department, General and Railway Branches.

The Secretaries to the Governments of Bengal, the North-Western Provinces and Oudh and the Punjab Public Works Department.

The Secretaries to the Government of Burma, Public Works Department, General and Railway Branches.

The Chief Commissioners of the Central Provinces, Assam and Coorg.
The Resident at Hyderabad.

The Agents to the Governor-General for Central India, Rajputana and Baluchistan.

The Accountant-General, Public Works Department.

The Consulting Engineers to the Government of India for Railways, Calcutta, Lucknow and Assam.

The Director-General of Telegraphs.

The Managers, North-Western, Oudh and Rohilkhand, East Coast and Eastern Bengal State Railways.

Simla, 8th September, 1899.

WITH reference to Finance and Commerce Department Resolution, No. 2418 Ex., dated 26th May 1899, I am directed to forward a memorandum showing the principles which the Government of India have decided should be followed in dealing with claims to Exchange Compensation Allowance.

2. I am to request that questions of personal eligibility for the allowance may be decided in accordance with the practical considerations indicated in the memorandum, and not with reference to legal technicalities which it was the purpose of the Resolution of 26th May 1899 to put aside.

3. As regards claims to arrears in respect of any period prior to 1st April 1897, I am to say that, if there are any such claims pending in your office which seem to be admissible in accordance with the principles now prescribed for the treatment of such cases in Clauses VI. and VII. of the memorandum, these claims should at once be forwarded to the Government of India for consideration. Arrear claims which are clearly ineligible with reference to Clause VII. of the memorandum can be rejected by the Government of you without further reference.

I have, &c.,

(Signed) G. H. D. WALKER,
Under Secretary to the Government of India.

GENERAL PRINCIPLES TO BE FOLLOWED IN DEALING WITH CLAIMS TO
EXCHANGE COMPENSATION ALLOWANCE.

I.—“Domicile” for the purpose of Clause (a) at end of paragraph 3 of Resolution by the Government of India in the Finance and Commerce Department, No. 2418-Ex., dated the 26th May 1899, means applicant’s permanent residence at the time he entered Government service. A person who had been continuously in India up to that date, or had been absent from it only up to or before the age of 10, is held to have a practical Indian domicile. If he was in Europe for any appreciable time (*i.e.*, not less than a year) subsequent to the age of 10 before entering Government service, this may be held to establish a non-Indian domicile.

II.—Permanent or temporary residence of parents in India, for the purpose of Clause (b) of the same paragraph, is determined by the following considerations :—

- (1) If the father left India for good after retirement from Government service, or the exercise of a private profession there, he was a *temporary* resident.
- (2) If he remained on in India for any considerable period under the same circumstances, a *permanent* resident.
- (3) If he died in Government service, or in the exercise of a private profession, permanent or temporary connection of the family with India is evidenced by—
 - (a) Widow (if any) returning home or children having been sent home while under parental control—*temporary*.
 - (b) Widow (if any) remaining here or children not having been sent home—*permanent*.

III.—A man is *not a Statutory native* for the purposes of the new rules only if he fulfils one or more of the following conditions* :—

See definition of “Statutory native” in paragraph 4 of Finance Department’s Resolution of 31st May 1897, No. 2422-Ex.

- (a) Born out of India.
- (b) Was out of India for some appreciable period (not less than a year) after the age of 10 and before he entered Government service. Personal non-Indian domicile.
- (c) Father had no connection or only a temporary connection with India. Parents not permanent residents.
Whether the father’s connection was temporary or permanent is determined by the considerations mentioned in Clause II.

IV.—But *arrears claims* (*i.e.*, claims for periods prior to the application of the new rules) are admissible to persons who are not Statutory natives, only if the applicant has a personal non-Indian domicile as stated in Clause I. above. Thus he may be admissible under the new rules as having been born out of India, or by reason of his father not having been a permanent resident; but if he himself had not left India between the age of 10 and his entry into Government service, he will not be admitted under the old rules.

V.—What has to be considered in dealing with claims to Exchange Compensation Allowance is the *status* of the applicant in regard to “domicile” at the actual time when he enters Government service; consequently, a man’s visits to England *after* he entered Government service are irrelevant for the purpose of establishing personal eligibility; as also the fact that after that date he married in England or sent his children home.

VI.—The *pending cases* in regard to which it has been decided by the Government of India that claims to the allowance prior to 1st April 1897 can now alone be entertained, are :—

- (1) Cases under the old rules which had come up to the Government of India on appeal or reference prior to 31st May 1897, the date on which the new rules were promulgated and were on that date still undisposed of.

-
- (2) Cases in which either a first claim, or an appeal against disallowal, was presented by the applicant prior to 31st May 1897, and was held over, undisposed of, by a Local Government or Head of department.

VII.—(1) In "pending cases" as above defined, admission under the new rules will qualify for arrears prior to 1st April 1897, if the applicant fulfils the conditions of Clause IV., but not otherwise.

(2) When the cases are not "pending" as above defined, no arrears for a period prior to 1st April 1897 can in any case be given.

No. 12.

FINANCE DEPARTMENT.

No. 4584-Ex.

Simla, the 15th August 1905.

The Government of India have had under consideration the question of the Exchange Compensation Allowance at present granted to certain ministerial officers.

Under paragraph 2 (f) of the Resolution of the Government of India in the Finance and Commerce Department, No. 2556-Ex., dated the 5th June 1899, such officers are as a general rule not eligible for the allowance. Exceptions are, however, allowed to the extent specified in paragraphs 36 to 38 of an earlier Resolution No. 4847-Ex., dated the 5th November 1898. These exceptions include :—

- (1) The heads of the clerical staff of Private and Military Secretaries to the Governor-General and Heads of Provinces.
- (2) Twelve members of the ministerial establishment of the Foreign Office under the Government of India above the grade of Rs. 100-150 a month.
- (3) European soldiers holding special clerical appointments on establishments connected with the administration of the army which are by rule or practice held by men borne on the strength of the British Army.

In addition to the above, clerkships in the Political Department of the Bombay Secretariat on Rs. 100 a month and upwards were, under the orders contained in the letter from this Department to the Government of Bombay, No. 2104-Ex., dated the 20th April 1901, allowed to carry Exchange Compensation Allowance to a number not exceeding 8.

2. Of late years, since the stability of exchange has been assured, the policy of Government has been to restrict Exchange Compensation Allowance as far as possible, and the Secretary of State has desired that when new appointments are created or the pay of existing establishments altered, Exchange Compensation Allowance shall not as a rule be given. In pursuance of this policy His Excellency the Governor-General in Council has now decided to abolish, in respect of future entrants, the few exceptions to the general ineligibility for Exchange Compensation Allowance of ministerial officers, a class of men who are recruited in this country, and are generally domiciled therein, and whose pay is subject to frequent revision. While therefore the allowance will not be withheld from any persons (whether in a permanent or officiating appointment) who are at present in receipt of it, no claim to it will be recognised on behalf of any other officers in the clerical and ministerial class hereafter.

No. 13.

HOME DEPARTMENT.

POLICE.

Nos. 1293-1304.

Calcutta, the 1st December 1905.

The Governor-General in Council has decided that the grant of Exchange Compensation Allowance to certain members of the subordinate police service, permissible under paragraphs 21-23 of Finance Department Resolution, No. 4847, dated 5th November 1898, shall be discontinued in the case of all future entrants, and is accordingly pleased to direct that no officer who is appointed to the subordinate police establishment after this date shall be eligible therefor. Nothing in these orders shall affect the case of officers now in the department who are eligible for and in receipt of the allowance.

No. 14.

DEPARTMENT OF COMMERCE AND INDUSTRY.

Nos. 154-161.

Calcutta, the 9th January 1906.

(Extract)

The new Imperial Customs Service will include the appointments of Collector of Customs at Calcutta, Bombay, Madras, Rangoon, Karachi, and Chittagong, the Assistant Collectorships at these ports, and the posts of Superintendent of the Preventive Service at Calcutta and Bombay. Its cadre will not at present provide for the administration of the Customs at the minor ports; but arrangements will be made for securing more efficient supervision over the subordinate officers stationed at these ports by inspections conducted by the members of the Imperial Service. Three probationers will also be attached to the service, in order to provide a sufficient margin for leave vacancies, and to maintain a reserve of officers under training. All these officers will be liable to transfer from port to port; and such transfers will be made at reasonable intervals in order to assimilate, as far as possible, the Customs administration throughout India. The service will be under the direct control of the Government of India; and all questions affecting the appointment, promotion, leave, transfer, and punishment of officers will be dealt with by them. The following table shows the grading of the Service and the scale of pay and allowances which has been sanctioned for the various appointments:—

Appointments	No	Pay per Mensem (without Exchange Compensation Allowance)	Maximum Local Allowance admissible to Officers stationed at Calcutta, Bombay, and Rangoon
Collectors.—		Rs.	Rs.
Class I. - - - - -	1	2,500	250
" II. - - - - -	2	2,250	250
" III. - - - - -	2	2,050	200
Assistant Collectors:—			
Class I. - - - - -	3	1,400	75
" II. - - - - -	3	1,150	75
" III. - - - - -	3	900	75
" IV. - - - - -	4	650	75
" V. - - - - -	4	450	75
Probationers - - - - -	3	300	—

No. 15.

HOME DEPARTMENT.

Nos. 76-88.

Calcutta, the 26th January 1906.

The Governor-General in Council has decided that the grant of exchange compensation allowance to members of the superior police service, permissible under paragraphs 20 and 23 of the Finance Department Resolution, No. 4847-Ex., dated the 5th November 1898, shall be discontinued in the case of all future entrants, and is accordingly pleased to direct that no officer who is appointed to the superior police establishment in or after the year 1906 shall be eligible therefor. Nothing in these orders will affect the case of officers now in the department who are eligible for and in receipt of the allowance.

No. 16.

DEPARTMENT OF REVENUE AND AGRICULTURE.

Circular No. 4 F.

Calcutta, the 28th March 1906.

The Government of India have for some time had under consideration the question of the grading and emoluments of the Imperial Branch of the Forest Service, and have arrived at the conclusion that, in order to maintain its efficiency, it is necessary to take steps to improve the conditions of the Service. With this object in view they have obtained the sanction of the Secretary of State to the following enhanced rates of pay of the administrative posts:—

(a) The pay of the Inspector-General of Forests will be Rs. 2,500, and that of the Chief Conservator, Burma, Rs. 2,150.

(b) The pay of the three grades in the class of Conservator will be:—

	Rs.
First grade - - - -	1,900
Second „ - - - -	1,700
Third „ - - - -	1,500

The distribution of the total number of Conservators' posts among the grades will be equal, an excess of one falling in the second grade and an excess of two in the second and third grades.

(c) Present and future holders of the appointments of Inspector-General of Forests, Chief Conservator, and Conservator will not be entitled to receive Exchange Compensation Allowance; and in the case of Conservators no acting promotion from grade to grade will be allowed for privilege leave vacancies.

2. These rates of pay will have effect from the 11th February 1906.

No. 17.

PUBLIC WORKS DEPARTMENT.

No. 471-E.

Simla, the 30th April 1906.

Read—

Resolution by the Government of India, Public Works Department, No. 1101-E., dated the 25th August 1905.

Despatch to His Majesty's Secretary of State for India, No. 422, dated the 28th December 1905.

Despatch from His Majesty's Secretary of State for India, No. 13 P W., dated the 9th March 1906.

Resolution.—The pay of the Administrative Grades of the Engineer Establishment of the Public Works Department having been materially improved under the orders contained in the Resolution quoted in the preamble, it is considered that the grant of Exchange Compensation Allowance, hitherto admissible to such officers, under Finance Department Resolution, No. 2422-Ex. dated the 31st May 1897, should be discontinued. The Governor-General in Council has therefore decided, with the approval of His Majesty's Secretary of State for India, that the grant of Exchange Compensation Allowance to the Engineer Establishment of the Public Works Department shall, in case of Civil Engineers recruited in England in and after the year 1907, be admissible only while serving in the Assistant and Executive Grades.

**EAST INDIA (OFFICERS) (EXCHANGE
COMPENSATION).**

RETURN containing COPIES of all the RESOLU-
TIONS issued by the GOVERNMENT OF INDIA with
regard to the grant of EXCHANGE COMPENSATION
ALLOWANCE to European Officers of the Indian
Service.

(*Sir Seymour King.*)

Ordered, by The House of Commons, to be Printed,
25 October 1906

[*Price 3d.*]

PERSIA. No. 2 (1913).

FINANCIAL ADVANCES

MADE BY

S 509

HIS MAJESTY'S GOVERNMENT AND THE GOVERNMENT
OF INDIA

TO THE

PERSIAN GOVERNMENT.

*Presented to the House of Lords by Command of His Majesty, in pursuance of
their Address dated July 29, 1913.*

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RETURN to an Address of the House of Lords, dated July 29, 1913;

for—

“A Return of all outstanding Loans, Grants, or Advances of Money made to Persian Government, severally or jointly, by His Majesty’s Government or by the Government of India.”

Total Debt of the Persian Government to His Majesty’s Government and the Government of India still outstanding.

	£	s.	d.
1. Anglo-Indian Loan of 1903-4 at 5 per cent., to be repaid by the 20th March, 1928. Amount outstanding on the 21st March, 1913	314,281	16	4
2. Anglo-Indian Advance of February 1912 at 7 per cent.	100,000	0	0
3. Anglo-Indian Advance of August 1912 at 7 per cent. after defeat of gendarmerie in Fars	25,000	0	0
4. Anglo-Indian Advance of November 1912 at 7 per cent., for use of Governor-General of Fars	15,000	0	0
5. Anglo-Indian Advance of April 1913 at 7 per cent., for general purposes of administration, including also 30,000 <i>l.</i> for such purposes in Fars and 10,000 <i>l.</i> for Bushire Custom-house ..	200,000	0	0
6. Anglo-Indian Advance of May 1913 at 7 per cent. for gendarmerie purposes in Fars	100,000	0	0

PERSIA. No. 2 (1913).

FINANCIAL Advances made by His Majesty's
Government and the Government of India to
the Persian Government.

*Presented to the House of Lords by Command of
His Majesty, in pursuance of their Address
dated July 29, 1913.*

EAST INDIA (ESTIMATE).

ESTIMATE
OF
REVENUE AND EXPENDITURE
OF THE
GOVERNMENT OF INDIA,
For the Year 1912-13,

COMPARED WITH THE RESULTS OF 1911-12.

India Office, }
21st May 1913. }

T. W. HOLDERNESS,
Under Secretary of State for India.

X 71.

(Presented pursuant to the Government of India Act, 1858, Sec 53.)

*Ordered, by the House of Commons, to be Printed,
27th May 1913.*

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PRINTERS TO THE KING'S MOST EXCELLENT MAJESTY
1913

No. 1.—ABSTRACT ACCOUNT showing the ESTIMATED REVENUE

HEADS OF REVENUE		ACCOUNTS, 1911-12.	ESTIMATE,* 1912-13.
		£.	£.
PRINCIPAL HEADS OF REVENUE:			
Land Revenue - - - - -		20,764,697	21,325,700
Opium - - - - -		5,961,278	5,114,600
Salt - - - - -		3,391,212	3,336,700
Stamps - - - - -		4,815,129	5,079,100
Excise - - - - -		7,609,753	8,183,000
Provincial Rates - - - - -		548,680	557,300
Customs - - - - -		6,468,567	7,007,914
Assessed Taxes - - - - -		1,652,878	1,727,300
Forest - - - - -		1,952,179	2,083,500
Registration - - - - -		445,862	481,300
Tributes from Native States - - - - -		595,005	603,000
	TOTAL - - - £.	54,205,240	55,499,414
INTEREST - - - - - £.		1,448,741	1,465,232
POST OFFICE - - - - - £.		2,134,279	2,259,500
TELEGRAPH - - - - - £.		1,087,425	1,142,020
MINT - - - - - £.		367,100	532,000
RECEIPTS BY CIVIL DEPARTMENTS:			
Law and Justice:			
Courts - - - - -		323,660	343,300
Jails - - - - -		253,354	249,000
Police - - - - -		122,738	136,300
Ports and Pilotage - - - - -		151,737	157,900
Education - - - - -		205,610	219,300
Medical - - - - -		66,847	81,173
Scientific and other Minor Departments - - - - -		114,185	112,961
	TOTAL - - - £.	1,238,131	1,299,934
MISCELLANEOUS			
Receipts in aid of Superannuation, &c. - - - - -		201,470	199,772
Stationery and Printing - - - - -		96,891	95,200
Exchange - - - - -		105,697	109,300
Miscellaneous - - - - -		409,018	337,624
	TOTAL - - - £.	813,076	741,896
RAILWAYS			
State Railways (Gross Receipts) - - - - -		33,579,129	36,966,888
Deduct—Working Expenses - - - - -		17,263,048	18,266,600
Surplus profits paid to Companies, &c. - - - - -		482,001	654,600
	Net Receipts - - - - -	15,834,080	18,045,688
Subsidized Companies (Government share of surplus profits and Repayment of Advances of Interest) - - - - -		57,645	71,801
	TOTAL - - - £.	15,891,725	18,117,489
IRRIGATION .			
Major Works			
Direct Receipts - - - - -		2,381,533	2,605,700
Portion of Land Revenue due to Irrigation - - - - -		1,351,465	1,506,000
Minor Works and Navigation - - - - -		247,054	251,200
	TOTAL - - - £.	3,980,052	4,362,900
OTHER PUBLIC WORKS .			
Civil Works - - - - -		326,924	315,600
MILITARY SERVICES .			
Army:			
Effective - - - - -		1,061,030	1,040,628
Non-effective - - - - -		118,336	121,697
Marine - - - - -		84,900	87,800
Military Works - - - - -		73,791	73,300
	TOTAL - - - £.	1,343,057	1,323,425
	TOTAL REVENUE - - - £.	82,835,750	87,059,410

* This Estimate contains, as regards the transactions in India, the figures adopted in the Financial Statement, and as regards those in England, the figures made up to 31st March, shown in the Home Accounts.

THE GOVERNMENT OF INDIA, FOR THE YEAR 1912-13.

and EXPENDITURE for 1912-13, compared with the RESULTS of 1911-12.

HEADS OF EXPENDITURE.		ACCOUNTS, 1911-12	ESTIMATE,* 1912-13
DIRECT DEMANDS ON THE REVENUES:		£	£.
Refunds and Drawbacks		335,610	316,400
Assessments and Compensations		1,231,581	1,226,500
Charges in respect of Collection, viz.,			
Land Revenue		3,786,454	3,911,925
Opium (including cost of Production)		729,452	601,907
Salt (including cost of Production)		368,490	313,973
Stamps		134,190	151,768
Excise		419,253	434,403
Provincial Rates		5,695	6,100
Customs		250,713	269,962
Assessed Taxes		28,278	29,300
Forest		1,142,202	1,179,514
Registration		248,256	248,400
	TOTAL	8,670,174	8,741,852
INTEREST:			
Interest on Debt		9,282,229	9,537,396
Deduct—Amounts chargeable to Railways		6,664,210	7,100,368
Amounts chargeable to Irrigation		1,782,867	1,283,530
Remainder chargeable on Ordinary Debt		1,435,152	1,148,498
Interest on other Obligations		602,583	660,900
	TOTAL	2,037,735	1,809,398
POST OFFICE		2,008,470	2,036,312
TELEGRAPH		1,093,934	1,125,413
MINT		116,507	141,983
SALARIES AND EXPENSES OF CIVIL DEPARTMENTS:			
General Administration		2,626,241	1,924,295
Law and Justice			
Courts		2,981,996	2,908,577
Jails		842,732	879,839
Police		4,602,877	4,653,156
Ports and Pilotage		181,690	185,804
Education		2,021,189	2,589,939
Ecclesiastical		124,488	125,505
Medical		1,155,490	1,367,331
Political		968,158	1,001,248
Scientific and other Minor Departments		961,205	983,040
	TOTAL	16,466,166	16,708,234
MISCELLANEOUS CIVIL CHARGES			
Territorial and Political Pensions		227,061	223,750
Civil Purlough and Absentee Allowances		425,742	412,057
Superannuation Allowances and Pensions		3,187,420	3,272,402
Stationery and Printing		669,691	679,147
Miscellaneous		384,909	337,754
	TOTAL	4,898,823	4,925,110
FAMINE RELIEF AND INSURANCE			
Famine Relief		114,293	195,300
Construction of Protective Railways		44,275	43,012
Construction of Protective Irrigation Works		383,465	413,135
Reduction or Avoidance of Debt		457,967	347,900
	TOTAL	1,000,000	999,347
RAILWAY REVENUE ACCOUNT			
State Railways—Interest on Debt		6,279,070	6,697,268
Annuities in purchase of Railways		3,357,301	3,357,672
Sinking Funds		177,677	184,457
Interest chargeable against Companies on Advances		385,140	403,100
Interest on Capital deposited by Companies		1,829,970	1,848,221
Subsidized Companies—Land, &c.		60,626	52,200
Miscellaneous Railway Expenditure		18,171	57,100
	TOTAL	12,103,955	12,599,998
IRRIGATION			
Major Works—Working Expenses		1,145,103	1,142,801
Interest on Debt		1,182,567	1,288,530
Minor Works and Navigation		846,913	860,294
	TOTAL	3,174,583	3,291,125
OTHER PUBLIC WORKS			
Construction of Railways charged to Provincial Revenues		836	4,100
Civil Works		5,453,212	6,209,403
	TOTAL	5,454,048	6,213,503
MILITARY SERVICES			
Army—Effective		16,332,962	16,263,161
Non-effective		3,203,594	3,229,189
Marine		450,726	476,932
Military Works		308,857	384,012
Special Defences (1902)		4,705	9,990
	TOTAL	20,901,837	20,863,284
TOTAL EXPENDITURE (IMPERIAL AND PROVINCIAL)		77,926,332	79,455,559
		Accounts, 1911-12	Estimate, 1912-13
		£	£
Add—Portion of Allotments to Provincial Governments not spent by them in the Year		1,414,027	4,073,900
Deduct—Portion of Provincial Expenditure defrayed from Provincial Balances		444,943	—
TOTAL EXPENDITURE CHARGED TO REVENUE		78,895,416	83,529,459
RAILWAY AND IRRIGATION AND OTHER CAPITAL NOT CHARGED TO REVENUE:			
Capital Outlay on Railways and Irrigation Works			
State Railways		6,981,384	8,880,342
Irrigation Works		1,536,547	1,439,018
	TOTAL	8,517,931	10,319,360
Initial Expenditure on New Capital at Delhi		4,999	111,733
		ACCOUNTS, 1911-12	ESTIMATE* 1912-13
		£	£
Revenue		82,835,750	87,059,410
Expenditure chargeable to Revenue		78,895,416	83,529,459
Surplus		3,940,334	3,529,951

No. 2.—ACCOUNT showing the ESTIMATED REVENUE (Imperial and Provincial) compared with the

HEADS OF REVENUE.	INDIA, GENERAL.		CENTRAL PROVINCES AND BERRAR.		BURMA.		EASTERN BENGAL AND ASSAM.		
	1911-12.	1912-13.	1911-12.	1912-13.	1911-12.	1912-13.	1911-12.	1912-13.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
PRINCIPAL HEADS OF REVENUE :									
Land Revenue - - - - -	16,62,564	18,83,000	1,86,83,737	1,80,81,000	4,17,85,258	4,41,00,000	2,08,37,070	78,00,000	1
Opium - - - - -	6,089	19,000	5,06,612	5,20,000	3,95,374	4,00,000	6,33,114	5,20,000	2
Salt - - - - -	1,14,69,735	1,22,13,000	-	-	22,07,835	21,10,000	12,49,966	1,000	3
Stamps - - - - -	4,89,890	6,47,000	33,60,466	37,00,000	56,71,310	36,64,000	1,11,61,673	12,60,000	4
Excise - - - - -	18,20,538	20,50,000	91,12,523	1,05,00,000	72,96,647	81,00,000	82,81,696	48,00,000	5
Provincial Rates - - - - -	10,819	18,000	-	-	-	-	17,58,062	8,000	6
Customs - - - - -	23,282	32,000	2,52,415	2,75,000	1,69,64,885	1,85,33,000	1,60,534	-	7
Assessed Taxes - - - - -	24,16,050	25,08,000	7,05,839	7,50,000	19,40,044	19,40,000	13,37,511	4,14,000	8
Forest - - - - -	8,60,089	7,76,000	25,49,854	31,00,000	99,67,594	1,07,58,000	17,78,863	11,99,000	9
Registration - - - - -	26,711	39,000	3,49,449	3,70,000	2,02,499	2,26,000	10,58,653	93,000	10
Tributes from Native States - - - - -	21,34,346	20,61,000	2,35,437	2,35,000	4,33,900	4,54,000	50,200	50,000	11
TOTAL - - - - -	2,09,40,062	2,22,43,000	3,56,56,132	3,75,31,000	8,48,15,246	9,02,80,000	4,78,07,342	1,61,45,000	12
INTEREST - - - - -	71,69,325	74,82,000	2,17,160	1,90,000	1,26,882	1,47,000	1,61,118	15,000	13
POST OFFICE - - - - -	3,20,14,179	3,38,92,000	-	-	-	-	-	-	14
TELEGRAPH - - - - -	1,62,36,543	1,70,37,000	-	-	-	-	-	-	15
MINT - - - - -	9,29,418	27,14,000	-	-	-	-	-	-	16
RECEIPTS BY CIVIL DEPARTMENTS :									
Law and Justice - - - - -	1,80,390	1,24,000	2,06,735	2,25,000	5,50,824	6,35,000	4,51,058	1,20,000	17
Courts - - - - -	3,50,172	3,51,000	2,27,714	2,30,000	4,34,550	4,49,000	3,23,598	86,000	18
Jails - - - - -	36,526	30,000	32,530	29,000	2,78,707	5,02,000	1,42,913	1,10,000	19
Police - - - - -	-	-	-	-	4,83,315	5,06,000	9,509	-	20
Ports and Pilotage - - - - -	44,058	49,000	1,46,171	2,00,000	2,17,634	2,41,000	8,39,867	1,13,000	21
Education - - - - -	7,582	9,000	15,568	19,000	1,02,072	1,14,000	50,508	18,000	22
Medical - - - - -	2,74,929	1,71,000	94,029	1,10,000	7,805	10,000	45,051	20,000	23
Scientific and other Minor Departments - - - - -	-	-	-	-	-	-	-	-	24
TOTAL - - - - -	8,93,637	7,34,000	7,22,747	8,13,000	20,74,907	24,58,000	13,62,504	4,66,000	24
MISCELLANEOUS									
Receipts in aid of Superannuation, &c. - - - - -	3,22,035	3,08,000	1,49,824	1,67,000	1,06,913	1,04,000	84,920	29,000	25
Stationery and Printing - - - - -	4,46,527	4,36,000	37,537	40,000	62,351	56,000	48,748	15,000	26
Exchange - - - - -	15,85,457	16,39,000	-	-	-	-	-	-	27
Miscellaneous - - - - -	13,96,528	7,38,000	1,19,937	1,65,000	1,39,050	1,78,000	3,89,888	53,000	28
TOTAL - - - - -	37,50,547	31,19,000	3,07,298	3,72,000	3,06,314	3,39,000	5,25,056	97,000	29
RAILWAYS									
State Railways (Gross Receipts) - - - - -	50,35,67,021	55,43,90,000	-	-	-	-	1,16,465	1,10,000	30
Deduct—Working Expenses - - - - -	25,38,61,617	27,39,12,000	-	-	-	-	84,107	88,000	31
Surplus Profits paid to Companies, &c. - - - - -	72,30,008	88,19,000	-	-	-	-	-	-	32
Net Receipts - - - - -	23,74,75,396	27,06,59,000	-	-	-	-	32,358	22,000	33
Subsidized Companies (Government share of surplus profits and Repayment of Advances of Interest). - - - - -	1,92,296	2,14,000	-	-	-	-	-	-	34
TOTAL - - - - -	23,76,67,692	27,08,73,000	-	-	-	-	32,358	22,000	35
IRRIGATION									
Major Works - - - - -	-	-	58,508	76,000	9,15,430	10,28,000	-	-	36
Direct Receipts Portion of Land Revenue due to Irrigation. - - - - -	-	-	4,123	4,000	1,38,253	1,60,000	-	-	37
Minor Works and Navigation - - - - -	46,405	67,000	31,796	37,000	12,75,025	12,82,000	48	-	38
TOTAL - - - - -	46,405	67,000	94,427	1,17,000	23,28,708	24,70,000	48	-	39
OTHER PUBLIC WORKS :									
Civil Works - - - - -	5,10,493	1,05,000	7,06,805	6,29,000	3,09,937	3,31,000	3,51,204	1,49,000	40
MILITARY SERVICES									
Army Effective - - - - -	92,45,431	1,11,00,000	-	-	-	-	-	-	41
Non-effective - - - - -	12,45,992	12,78,000	-	-	-	-	-	-	42
Marine - - - - -	12,73,487	13,17,000	-	-	-	-	-	-	43
Military Works - - - - -	11,81,866	11,00,000	-	-	-	-	-	-	44
TOTAL - - - - -	1,29,46,776	1,47,95,000	-	-	-	-	-	-	45
TOTAL REVENUE - - - - -	33,31,05,077	37,30,61,000	3,77,04,569	3,96,49,000	8,99,63,994	9,60,23,000	5,02,39,628	1,68,94,000	46

in each of the PROVINCES of *British India*, and in *England*, for 1912-13,
RESULTS of 1911-12.

	BENGAL.		BIHAR AND ORISSA.		UNITED PROVINCES OF AGRA AND OUDH.		CARRIED FORWARD		HEADS OF REVENUE.
	1911-12	1912-13	1911-12.	1912-13	1911-12.	1912-13.	1911-12	1912-13	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1	2,98,19,861	2,82,01,000	-	1,58,23,000	6,43,99,763	6,51,01,001	17,65,38,253	18,09,89,000	PRINCIPAL HEADS OF REVENUE
2	7,57,86,332	5,04,64,000	-	3,95,000	5,44,998	5,70,000	7,78,72,519	5,28,88,000	Land Revenue.
3	1,18,48,436	1,16,00,000	-	2,000	-	-	2,62,75,972	2,59,26,000	Opium
4	1,63,37,802	2,08,50,000	-	66,81,000	1,09,90,235	1,15,00,000	4,60,11,276	4,83,01,000	Salt
5	1,94,28,129	1,35,00,000	-	1,02,85,000	1,11,31,787	1,23,00,000	5,70,71,320	6,15,35,000	Stamps
6	40,54,688	32,00,000	-	27,40,000	23,74,149	23,80,000	81,99,668	83,26,000	Excise
7	2,96,20,984	3,17,30,000	-	1,35,000	1,61,371	1,70,000	4,71,83,471	5,08,75,000	Provincial Rates.
8	65,75,770	66,00,000	-	13,34,000	24,15,667	25,21,000	1,43,90,681	1,50,65,000	Customs
9	11,22,442	16,50,000	-	4,00,000	30,16,160	32,00,000	1,33,14,951	2,10,78,000	Assessed Taxes
10	12,98,213	16,50,000	-	5,60,000	5,94,658	6,36,000	35,30,383	37,73,000	Forest
11	52,260	68,000	-	66,000	3,13,323	3,29,000	32,19,356	32,63,000	Registration.
12	19,44,46,867	16,87,13,000	-	3,84,40,000	9,76,42,211	9,86,87,000	47,96,07,850	47,20,39,000	Tributes from Native States
									- - - TOTAL.
13	19,81,415	17,02,000	-	2,19,000	13,68,202	13,72,000	1,10,14,100	1,11,27,000	INTEREST
14	-	-	-	-	-	-	3,20,14,179	3,38,92,000	POST OFFICE
15	-	-	-	-	-	-	1,62,36,543	1,70,37,000	TELEGRAPH
16	-	-	-	-	-	-	9,29,418	27,14,000	MINT.
									RECEIPTS BY CIVIL DEPARTMENTS.
17	6,92,199	7,77,000	-	2,80,000	6,48,725	6,68,000	27,29,931	28,44,000	Law and Justice :
18	10,52,305	6,57,000	-	5,25,000	3,62,682	3,50,000	27,51,021	26,47,000	Courts.
19	1,83,750	2,50,000	-	65,000	91,032	93,000	7,75,458	10,79,000	Jails
20	18,86,090	17,63,000	-	-	-	-	21,73,914	22,68,000	Police.
21	6,81,785	7,40,000	-	2,27,000	4,85,072	5,02,000	19,14,585	20,72,000	Ports and Pilotage.
22	3,37,817	4,30,000	-	16,000	54,592	68,000	5,68,119	6,74,000	Education.
23	2,39,540	2,76,000	-	26,000	1,69,522	1,50,000	8,30,876	7,63,000	Medical
24	48,88,484	48,98,000	-	11,39,000	18,11,625	18,46,000	1,17,46,904	1,23,47,000	Scientific and other Minor Departments
									- - - TOTAL.
									MISCELLANEOUS :
25	2,41,428	2,22,000	-	85,000	2,53,789	2,40,000	11,60,909	11,53,000	Receipts in aid of Superannuation, &c.
26	1,24,547	1,33,000	-	32,000	2,21,127	2,17,000	9,40,637	9,29,000	Stationery and Printing
27	-	-	-	-	-	-	15,85,457	16,39,000	Exchange
28	7,24,223	6,80,000	-	3,37,000	4,38,227	3,45,000	32,07,353	25,00,000	Miscellaneous
29	10,90,198	10,35,000	-	4,54,000	9,13,143	8,05,000	68,94,556	62,21,000	- - - TOTAL.
									RAILWAYS
30	-	-	-	-	-	-	50,38,88,486	55,45,00,000	State Railways (Gross Receipts).
31	-	-	-	-	-	-	25,39,45,724	27,40,00,000	Deduct - Working Expenses.
32	-	-	-	-	-	-	78,30,008	98,19,000	Surplus Profits paid to Companies, &c.
33	-	-	-	-	-	-	23,75,07,754	27,06,81,000	Net Receipts.
34	-	-	-	-	-	-	1,92,296	2,14,000	Subsidized Companies (Government share of surplus profits and Repayment of Advances of Interest).
35	-	-	-	-	-	-	23,77,00,050	27,08,95,000	- - - TOTAL.
									IRRIGATION
36	25,58,000	2,63,000	-	22,50,000	85,73,934	81,87,000	1,31,05,872	1,18,04,000	Major Works - Direct Receipts.
37	-	-	-	-	16,96,429	16,96,000	18,36,805	18,60,000	Portion of Land Revenue due to Irrigation.
38	8,01,498	7,26,000	-	72,000	1,68,942	1,84,000	23,28,714	23,68,000	Minor Works and Navigation
39	33,59,498	9,89,000	-	23,22,000	1,04,39,305	1,00,67,000	1,62,68,391	1,60,32,000	- - - TOTAL.
									OTHER PUBLIC WORKS
40	7,23,819	6,40,000	-	3,01,000	4,61,466	5,15,000	30,63,224	26,67,000	Civil Works.
									MILITARY SERVICES
41	-	-	-	-	-	-	92,45,431	1,11,00,000	Army Effective
42	-	-	-	-	-	-	12,45,982	12,78,000	Non-effective
43	-	-	-	-	-	-	13,73,487	13,17,000	Marine.
44	-	-	-	-	-	-	11,81,866	11,00,000	Military Works
45	-	-	-	-	-	-	1,29,46,776	1,47,95,000	- - - TOTAL.
46	20,84,84,771	17,70,72,000	-	4,38,75,000	11,09,25,952	11,32,92,000	82,84,23,991	85,97,66,000	- - - TOTAL REVENUE.

No. 2.—ACCOUNT showing the Estimated Revenue (Imperial and Provincial) in each of the

HEADS OF REVENUE.	BROUGHT FORWARD.		PUNJAB.		N.W FRONTIER PROVINCE.		MADRAS.		BOMBAY	
	1911-12	1912-13.	1911-12.	1912-13.	1911-12.	1912-13.	1911-12.	1912-13	1911-12	
PRINCIPAL HEADS OF REVENUE :	Rs	Rs.	Rs.	Rs.	Rs	Rs.	Rs	Rs.	Rs.	
Land Revenue - - - - -	17,65,38 253	18,09,89,000	2,89,66,283	3,11,77,000	20,83,373	21,26,000	5,65,32,986	5,87,30,000	4,73,49,561	1
Opium - - - - -	7,78,72,519	5,28,48,000	6,20,380	6,50,000	20,544	60,000	4,33,109	4,15,000	1,04,72,618	2
Salt - - - - -	2,62,76,972	2,59,26,000	-	-	-	-	1,07,48,794	1,11,00,000	1,38 43,414	3
Stamps - - - - -	4,60,11,276	4,83,01,000	52,37,021	54,61,000	5,69,412	5,75 000	1,27,25,416	1,36,50,000	76,63,815	4
Excise - - - - -	5,70,71,320	6,15,35,000	64,00,303	69,50,000	3,16,143	3,50,000	3,00,64,174	3,31,10,000	2,02,94,345	5
Provincial Rates - - - - -	81,99,688	83 26,000	27,754	30,000	2,773	3,000	-	-	-	6
Customs - - - - -	4,71,83,471	5,08,75,000	10,862	14,000	-	-	79,70,539	80,46,000	4,18,63,627	7
Assessed Taxes - - - - -	1,43,90,581	1,50,65,000	16,21,859	16,15,000	1,43,555	1,48,000	32,06,625	34,01,000	64,30,461	8
Forest - - - - -	1,93,14,961	2,10,74,000	13,10,077	12,50,000	1,58,171	2,00,000	41,68,921	41,25,000	43,30,569	9
Registration - - - - -	35,30,383	37 73,000	3,15,970	3 35,000	40,683	41,000	20,57,719	22,85,000	7,43,182	10
Tributes from Native States - - - - -	32,19,366	32,43,000	1,46,288	1,41,000	-	-	44,96,519	44,97,000	10,60,911	11
TOTAL - - - - -	47,96,07,850	47,20,39,000	4,46,78,797	4,76,23,000	33,34,654	34,93,000	13,24,04,802	13,91,59,000	16,30,62,603	12
INTEREST - - - - -	1,10,14,100	1,11,27,000	2,93,240	2,85 000	16,246	21,000	9,81,156	9,85,000	25,71,336	13
POST OFFICE - - - - -	3,20,14 179	3,38,92,000	-	-	-	-	-	-	-	14
TELEGRAPH - - - - -	1,62,36,543	1,70,37,000	-	-	-	-	-	-	-	15
MINT - - - - -	9,29,418	27,14,000	-	-	-	-	-	-	45,75 034	16
RECEIPTS BY CIVIL DEPARTMENTS										
Law and Justice										
Courts - - - - -	27 29,931	28,44,600	4,34,527	4,73,000	1,10 253	1,11,000	9,22,333	10,07,000	6,57,846	17
Jails - - - - -	27,51,021	26,47,000	3,40,887	3,23,000	24,911	25,000	4,63,999	4,90,000	2,19,507	18
Police - - - - -	7,75,458	10,79,000	1,78,998	1,92,000	22,980	31,000	4,75,445	4,98,000	3,88,184	19
Ports and Pilotage - - - - -	21,78,914	22,68,000	-	-	-	-	105	-	97,033	20
Education - - - - -	19,14,585	20,72,000	3,91,763	4,29,000	848	1,000	3,22,612	2,90,000	4,54,345	21
Medical - - - - -	5,68,119	6,71,000	50,157	54,000	98	-	1,27,382	1,52,000	2,44,092	22
Scientific and other Minor Departments	8,30,876	7,63,000	1,08,095	1,92,000	872	2,000	6,41,764	6,16,000	1,18,202	23
TOTAL - - - - -	1,17,48,904	1,23,47,000	15,02,427	16,63,000	1,59,980	1,70,000	29,53,610	30,53,000	21,79,209	24
MISCELLANEOUS										
Receipts in aid of Superannuation, &c	11,60,909	11,53,000	1,74,934	1 95,000	19,420	18,000	2,02,880	2,03,000	4,63,123	25
Stationery and Printing - - - - -	9,40,847	9,29,000	2,47,955	2,37,000	19,008	19,000	1,21,351	1,21,000	1,25,211	26
Exchange - - - - -	15,35,457	18 39,000	-	-	-	-	-	-	-	27
Miscellaneous - - - - -	32,07,353	25 00,000	14 14,814	9,09,000	1,43,547	1,38,000	4,12,866	3,51,000	4,06,982	28
TOTAL - - - - -	69,94,556	62,21,000	18,37,703	13,41,000	1,80,975	1,75,000	7,37,097	6,75,000	9,94,316	29
RAILWAYS :										
State Railways (Gross Receipts) - - - - -	50 36 83,486	55,45,00,000	-	-	-	-	-	-	-	30
Deduct—Working Expenses - - - - -	25,89,45,784	27 40,00,000	-	-	-	-	-	-	-	31
Surplus Profits paid to Companies, &c	72,30,008	98,19,000	-	-	-	-	-	-	-	32
Net Receipts - - - - -	23,76,07,754	27,06,91,000	-	-	-	-	-	-	-	33
Subsidized Companies (Government share of surplus profits and Repayment of Advances of Interest).	1,92,296	2,14,000	-	-	-	-	-	-	-	34
TOTAL - - - - -	23,77,00,050	27,08,95,000	-	-	-	-	-	-	-	35
IRRIGATION										
Major Works Direct Receipts - - - - -	1,21,05 872	1,18,04,000	2,13,07,959	2,48,43,000	7,19 905	8,50,000	2,53,100	2,60,000	13,36,152	36
Portion of Land Revenue due to Irrigation.	18,38,805	18,60,000	68,24,503	77,55,000	65,470	57,000	1,04,86,911	1,03,39,000	20,56,268	37
Minor Works and Navigation - - - - -	23,23,714	23,68,000	7,99,274	8,15,000	-	-	2,16,985	2,25,000	3,65,836	38
TOTAL - - - - -	1,62,68,391	1,60,32,000	2,79,31,736	3,34,13,000	7,85,375	9,07,000	1,09,56,996	1,08,24,000	37,58,276	39
OTHER PUBLIC WORKS :										
Civil Works - - - - -	30,63,224	26,67,000	6,93,397	6,00,000	1,37,210	3,63,000	2,77,833	3,07,000	7,32,203	40
MILITARY SERVICES										
Army Effective - - - - -	92,45,431	1,11,00,000	-	-	-	-	-	-	-	41
Non-effective - - - - -	12,45,992	12,78,000	-	-	-	-	-	-	-	42
Marine - - - - -	12,73,487	13,17,000	-	-	-	-	-	-	-	43
Military Works - - - - -	11,81,866	11,00,000	-	-	-	-	-	-	-	44
TOTAL - - - - -	1,29,46,776	1,47,95,000	-	-	-	-	-	-	-	45
TOTAL REVENUE - - - - -	82,84,23,991	85,97,66,000	7,89,37,300	8,49,25,000	46,14,420	51,29,000	14,83,11,494	15,50,03,000	16,78,62,877	46

Provinces of British India, and in England, for 1912-13, compared with the Results of 1911-12—continued.

BOMBAY.	TOTAL INDIA.				ENGLAND.		GRAND TOTAL.		HEADS OF REVENUE.	
	Rupees.		Rupees converted into £ at Rs. 15 = £1.		1911-12.	1912-13.	1911-12.	1912-13.		
	1911-12.	1912-13.	1911-12.	1912-13.	£	£	£	£		
	Ra.	Ra.	Rs.	£	£	£	£	£	PRINCIPAL HEADS OF REVENUE :	
1	4,70,63,000	31,14,70,456	31,99,85,000	20,764,697	21,325,700	-	-	20,764,697	21,325,700	Land Revenue.
2	2,27,15,000	8,94,19,170	7,67,18,000	5,961,278	6,114,600	-	-	5,961,278	5,114,600	Opium.
3	1,30,28,000	5,08,68,180	5,00,51,000	3,391,212	3,336,700	-	-	3,391,212	3,336,700	Salt.
4	82,00,000	7,22,26,940	7,61,87,000	4,815,129	5,079,100	-	-	4,815,129	5,079,100	Stamps
5	2,08,00,000	11,41,44,285	12,27,45,000	7,809,753	8,183,000	-	-	7,809,753	8,183,000	Excise
6	-	82,30,195	83,69,000	548,680	567,300	-	-	548,680	567,300	Provincial Rates.
7	4,61,84,000	9,70,28,499	10,51,19,000	6,468,547	7,007,900	-	14	6,468,567	7,007,914	Customs.
8	56,80,000	2,47,93,161	2,69,09,000	1,652,878	1,727,300	-	-	1,652,878	1,727,300	Assessed Taxes
9	46,00,000	2,92,82,689	3,12,53,000	1,952,179	2,083,500	-	-	1,952,179	2,083,500	Forest
10	7,85,000	66,87,937	72,19,000	445,862	481,300	-	-	445,862	481,300	Registration.
11	11,25,000	89,25,074	90,46,000	595,005	603,000	-	-	595,005	603,000	Tributes from Native States
12	17,01,77,000	81,30,78,606	83,24,91,900	54,205,240	55,499,400	-	14	54,205,240	55,499,414	- - - TOTAL.
13	25,48,000	1,48,76,078	1,48,66,000	991,739	997,700	457,002	467,532	1,448,741	1,465,232	INTEREST.
14	-	3,20,14,179	3,38,92,000	2,134,279	2,259,500	-	-	2,134,279	2,259,500	POST OFFICE
15	-	1,62,36,543	1,70,37,000	1,082,436	1,135,800	4,989	6,220	1,087,425	1,142,020	TELEGRAPH
16	52,66,000	55,04,452	79,90,000	366,963	532,000	137	-	367,100	532,000	MINT.
17	7,15,000	48,54,890	51,60,000	323,580	343,300	-	-	323,580	343,300	RECEIPTS BY CIVIL DEPARTMENTS :
18	2,50,000	38,00,315	37,35,000	253,354	249,000	-	-	253,354	249,000	Law and Justice .
19	2,45,000	18,41,965	20,45,000	127,738	136,300	-	-	127,738	136,300	Courts.
20	1,00,000	22,76,059	23,68,000	151,737	157,900	-	-	151,737	157,900	Jails.
21	4,98,000	30,84,153	32,90,000	205,610	219,300	-	-	205,610	219,300	Police
22	3,38,000	9,98,828	12,06,000	65,988	80,400	859	773	66,847	81,173	Ports and Pilotage.
23	1,10,000	16,87,809	16,83,000	113,187	112,200	998	761	114,186	112,961	Education
24	29,44,000	1,85,44,110	1,94,77,000	1,236,274	1,398,400	1,857	1,534	1,238,131	1,399,934	Medical
										Scientific and other Minor Depart- ments.
										- - - TOTAL.
25	5,03,000	20,91,366	20,71,000	134,751	138,100	66,719	61,672	201,470	199,772	MISCELLANEOUS
26	1,22,000	14,53,362	14,38,000	96,891	95,200	-	-	96,891	95,200	Receipts in aid of Superannuation, &c.
27	4,86,000	56,94,862	43,84,000	372,304	292,200	36,714	45,424	409,018	337,624	Stationery and Printing.
28										Exchange
29	11,10,000	1,08,44,647	95,22,000	709,643	634,800	103,433	107,096	813,076	741,896	Miscellaneous.
										- - - TOTAL.
30	-	50,36,83,486	55,45,00,000	33,578,899	36,966,600	230	288	33,579,129	36,966,888	RAILWAYS :
31	-	85,69,45,724	87,40,00,000	17,263,048	18,266,600	-	-	17,263,048	18,266,600	State Railways (Gross Receipts).
32	-	72,30,008	98,19,000	482,001	654,600	-	-	482,001	654,600	Deduct—Working Expenses
										Surplus Profits paid to Com- panies, &c
										Net Receipts
33	-	23,76,07,754	27,06,81,000	15,833,850	18,045,400	230	288	15,834,080	18,045,688	Subsidized Companies (Government share of surplus profits and Repay- ment of Advances of Interest).
34	-	1,92,296	2,14,000	12,820	14,300	44,825	57,501	57,645	71,801	- - - TOTAL.
35	-	23,77,00,050	27,08,95,000	15,846,670	18,059,700	45,055	57,789	15,891,725	18,117,489	IRRIGATION :
36	13,26,000	5,57,22,988	3,90,85,000	2,381,533	2,605,700	-	-	2,381,533	2,605,700	Major Works . Direct Receipts
37	25,79,000	2,02,71,977	2,25,90,000	1,351,465	1,506,000	-	-	1,351,465	1,506,000	Portion of Land Re- venue due to Irri- gation.
38	3,60,000	37,05,809	37,68,000	247,054	251,200	-	-	247,054	251,200	Minor Works and Navigation.
39	42,67,000	5,97,00,774	6,54,43,000	3,980,052	4,362,900	-	-	3,980,052	4,362,900	- - - TOTAL.
40	7,97,000	49,03,887	47,34,000	326,924	315,600	-	-	326,924	315,600	OTHER PUBLIC WORKS .
										Civil Works .
41	-	92,45,431	1,11,00,000	616,362	740,000	444,668	300,628	1,061,030	1,040,628	MILITARY SERVICES :
42	-	12,45,992	12,78,000	83,066	85,200	35,270	36,497	118,336	121,697	Army . Effective.
43	-	12,73,487	13,17,000	84,900	87,800	-	-	84,900	87,800	Non-effective
44	-	11,81,866	11,00,000	78,791	73,300	-	-	78,791	73,300	Marine
										Military Works.
46	-	1,29,46,776	1,47,95,000	863,119	986,300	479,938	337,125	1,343,057	1,323,425	- - - TOTAL.
46	18,64,09,000	1,22,61,50,082	1,29,12,22,000	81,743,339	86,082,100	1,092,411	977,310	82,835,750	87,059,410	- - TOTAL REVENUE.

No. 3.—ACCOUNT showing the ESTIMATED EXPENDITURE (Imperial and Provincial) compared with the

HEADS OF EXPENDITURE.	INDIA, GENERAL.		CENTRAL PROVINCES AND BERRAR.		BURMA.		EASTERN BENGAL AND ASSAM.		
	1911-12.	1912-13.	1911-12.	1912-13.	1911-12.	1912-13.	1911-12.	1912-13.	
DIRECT DEMANDS ON THE REVENUES :	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Refunds and Drawbacks - - - - -	56,887	52,000	87,739	87,000	6,95,614	7,54,000	1,19,299	33,000	1
Assignments and Compensations - - -	33,44,288	33,91,000	25,84,386	25,62,000	989	1,000	60,120	52,000	2
Charges in respect of Collection, viz :									
Land Revenue - - - - -	6,42,104	6,92,000	39,07,629	39,00,000	68,33,955	69,91,000	49,81,404	14,57,000	3
Opium (including cost of Production) -	8,686	9,000	-	-	-	-	-	-	4
Salt (including cost of Production) -	11,43,988	11,17,000	-	-	26,662	-	74,287	1,000	5
Stamps - - - - -	- 16,97,008	- 14,83,000	1,26,550	1,27,000	1,02,695	1,10,000	4,44,942	66,000	6
Excise - - - - -	1,52,519	1,17,000	2,89,962	3,21,000	11,92,968	13,10,000	3,21,032	1,19,000	7
Provincial Rates - - - - -	-	-	-	-	-	-	26,755	-	8
Customs - - - - -	-	-	-	-	6,50,796	6,65,000	57,767	-	9
Assessed Taxes - - - - -	1,504	2,000	9,788	22,000	42,311	44,000	39,401	6,000	10
Forest - - - - -	8,31,149	8,44,000	18,38,379	19,46,000	42,57,225	42,32,000	11,09,691	8,49,000	11
Registration - - - - -	9,791	13,000	1,28,069	1,33,000	98,040	1,02,000	6,28,221	57,000	12
TOTAL - - - - -	45,93,218	47,54,000	69,42,462	69,98,000	1,38,91,155	1,42,09,000	77,82,829	26,30,000	13
INTEREST -									
Interest on Debt - - - - -	4,59,56,315	4,69,95,000	1,33,336	1,26,000	84,349	90,000	1,23,762	14,000	14
Deduct—Amounts chargeable to Railways (a) -	4,56,26,526	4,67,64,000	-	-	-	-	-	-	15
“ “ “ Irrigation - - - - -	1,59,94,080	1,74,57,000	-	-	-	-	-	-	16
Remainder chargeable on Ordinary Debt -	- 1,56,64,290	- 2,02,38,000	1,33,336	1,26,000	84,349	90,000	1,23,762	14,000	17
Interest on other Obligations - - - - -	74,88,574	82,05,000	37,960	49,000	54,446	62,000	38,688	18,000	18
TOTAL - - - - -	- 81,75,716	- 1,20,27,000	1,71,296	1,75,000	1,38,794	1,52,000	1,62,450	32,000	19
POST OFFICE - - - - -	2,93,03,231	2,97,25,000	-	-	-	-	-	-	20
TELEGRAPH - - - - -	1,86,53,986	1,41,29,000	-	-	-	-	-	-	21
MINT - - - - -	6,66,772	10,88,000	-	-	-	-	-	-	22
SALARIES AND EXPENSES OF CIVIL DEPARTMENTS.									
General Administration - - - - -	1,31,22,161	63,06,000	12,35,892	10,10,000	24,72,578	21,18,000	22,48,394	7,45,000	23
Law and Justice - - - - -	3,50,501	4,34,000	25,24,371	25,78,000	47,65,061	48,98,000	49,95,633	8,93,000	24
Courts - - - - -	16,81,777	17,43,000	5,62,623	5,74,000	13,60,332	16,08,000	9,31,926	2,52,000	25
Jails - - - - -	13,70,477	15,03,000	33,45,697	33,26,000	1,26,76,077	1,27,95,000	58,09,322	21,01,000	26
Ports and Pilotage - - - - -	-	-	-	-	12,64,225	13,00,000	1,13,059	58,000	27
Education - - - - -	5,51,442	8,90,000	17,82,548	20,73,000	20,31,673	23,33,000	31,68,532	9,77,000	28
Ecclesiastical - - - - -	1,82,163	1,98,000	75,975	98,000	1,27,942	1,33,000	41,192	18,000	29
Medical - - - - -	6,81,434	22,65,000	9,81,058	13,79,000	21,88,473	20,62,000	12,57,082	6,16,000	30
Political - - - - -	85,03,735	86,21,000	32,431	40,000	4,61,115	7,98,000	5,38,984	5,67,000	31
Scientific and other Minor Departments -	63,85,136	62,21,000	7,04,155	7,00,000	5,96,186	6,14,000	6,08,840	1,80,000	32
TOTAL - - - - -	5,18,28,826	2,72,31,000	1,12,37,760	1,17,78,000	2,79,13,661	2,86,49,000	1,97,02,964	64,07,000	33
MISCELLANEOUS CIVIL CHARGES									
Territorial and Political Pensions - - -	1,69,070	1,85,000	1,89,260	1,92,000	1,50,050	1,61,000	9,420	5,000	34
Civil Furlough and Absentee Allowances -	5,771	2,000	-	-	-	-	-	-	35
Superannuation Allowances and Pensions -	10,08,992	11,18,000	7,24,164	7,55,000	8,03,618	8,55,000	8,63,089	2,42,000	36
Stationery and Printing - - - - -	- 1,77,234	- 47,000	3,88,812	3,70,000	7,86,114	8,10,000	7,37,127	1,74,000	37
Miscellaneous - - - - -	5,57,774	6,19,000	1,37,210	1,68,000	5,98,738	5,54,000	6,10,273	3,81,000	38
TOTAL - - - - -	15,64,373	18,77,000	13,86,936	14,75,000	23,39,429	23,84,000	22,19,909	8,02,000	39
FAMINE RELIEF AND INSURANCE									
Famine Relief - - - - -	14,801	13,000	- 446	-	-	-	-	-	40
Construction of Protective Railways - - -	4,37,689	4,35,000	-	-	-	-	- 100	-	41
Construction of Protective Irrigation Works -	-	-	16,59,546	17,48,000	186	-	8,812	-	42
Reduction or Avoidance of Debt - - - - -	31,19,505	14,68,000	12,80,000	12,80,000	-	-	-	-	43
TOTAL - - - - -	35,71,995	19,16,000	29,39,101	30,26,000	186	-	3,712	-	44
Carried forward to page 12 - - - - -	7,70,06,685	6,86,99,000	2,46,79,575	2,55,62,000	4,42,83,225	4,53,94,000	2,98,71,864	98,71,000	45

ACCOUNTS, 1911-12.

(a) Included under the following Heads—

Sate Railways—Interest on Debt - - -	Rs. 4,24,81,923
Interest chargeable against Companies on Advances -	31,44,602
TOTAL - - - - -	4,56,26,526

India	India converted into £ at Rs 15 = £1.	England.	TOTAL.
Rs.	£	£	£
4,24,81,923	2,832,128	3,448,942	6,279,070
31,44,602	208,640	176,500	385,140
TOTAL - - - - -	3,041,768	3,622,442	6,664,210

in each of the PROVINCES of *British India*, and in *England*, for 1912-13,
RESULTS of 1911-12.

	BENGAL.		BIHAR AND ORISSA.		UNITED PROVINCES OF AGRA AND OUDH		CARRIED FORWARD		HEADS OF EXPENDITURE	
	1911-12	1912-13	1911-12	1912-13	1911-12.	1912-13.	1911-12	1912-13		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
1	12,72,206	8,92,000	-	91,000	1,93,481	2,03,000	24,25,226	21,12,000	DIRECT DEMANDS ON THE REVENUES. Refunds and Drawbacks Assignments and Compensations. Charges in respect of Collection, viz Land Revenue. Opium (including cost of Production). Salt (including cost of Production). Stamps. Excise Provincial Rates Customs Assessed Taxes. Forest Registration.	
2	2,11,810	1,46,900	-	1,13,000	3,04,198	3,23,000	64,95,791	65,82,000		
3	52,51,772	51,63,000	-	35,12,000	86,42,061	87,68,000	3,01,48,925	3,04,83,000		
4	28,215	30,000	-	-	1,08,49,020	89,80,000	1,08,82,831	89,89,000		
5	3,72,387	2,78,000	-	71,000	-	-	16,17,134	14,67,000		
6	4,37,871	6,87,000	-	2,37,000	2,74,466	2,86,000	-2,17,084	20,000		
7	8,11,725	6,04,000	-	5,25,000	3,92,403	4,08,000	32,00,597	34,04,000		
8	58,063	45,000	-	45,000	-	-	85,418	91,000		
9	12,71,936	13,68,000	-	15,000	-	-	19,80,469	20,49,000		
10	1,55,653	1,56,000	-	42,000	271	-	2,58,928	2,72,000		
11	7,06,374	6,88,000	-	3,92,000	13,63,672	16,86,000	1,01,06,390	1,06,37,000		
12	6,06,999	10,56,000	-	3,23,000	2,93,213	2,84,000	19,64,333	19,67,000		
13	1,18,95,479	1,11,06,000	-	53,68,000	2,23,09,785	2,09,08,000	6,89,14,358	6,80,73,000		- - - TOTAL
14	5,21,862	4,35,000	-	1,17,000	9,14,011	9,32,000	4,77,33,635	4,87,09,000	INTEREST Interest on Debt Deduct - Amounts chargeable to Railways (a). " " " Irrigation.	
15	-	-	-	-	-	-	4,56,26,525	4,87,64,000		
16	-	-	-	-	-	-	1,59,94,080	1,74,57,000		
17	5,21,862	4,35,000	-	1,17,000	9,14,011	9,32,000	-1,33,86,970	-1,85,12,000	Remainder chargeable on Ordinary Debt. Interest on other Obligations	
18	87,909	91,000	-	50,000	7,36,151	8,36,000	84,93,727	93,11,000		
19	6,09,771	5,26,000	-	1,67,000	17,00,162	17,68,000	-53,93,243	-92,01,000	- - - TOTAL	
20	-	-	-	-	-	-	2,93,03,231	2,97,35,000	POST OFFICE	
21	-	-	-	-	-	-	1,36,53,986	1,41,29,000	TELEGRAPH	
22	-	-	-	-	-	-	6,66,772	10,88,000	MINI	
23	34,03,312	29,21,000	-	15,11,000	23,95,895	21,16,000	2,48,81,232	1,67,27,000	SALARIES AND EXPENSES OF CIVIL DEPARTMENTS General Administration Law and Justice Courts Jails Police. Ports and Pilots Education Ecclesiastical Medical Political Scientific and other Minor Departments.	
24	92,76,209	98,05,000	-	31,34,000	62,23,935	61,69,000	2,91,35,700	2,78,91,000		
25	23,86,876	19,60,000	-	11,67,000	18,09,551	18,80,000	87,33,085	91,84,000		
26	86,70,975	85,55,000	-	41,39,000	1,10,42,737	1,09,69,000	4,24,15,285	4,34,48,000		
27	12,55,725	18,32,000	-	1,000	-	-	26,33,009	26,91,000		
28	58,54,112	76,69,000	-	25,90,000	48,36,149	57,08,000	1,82,04,156	2,22,40,000		
29	9,07,805	1,89,000	-	30,000	2,53,065	2,75,000	8,38,142	9,41,000		
30	25,06,739	26,88,000	-	7,59,000	30,03,278	30,00,000	1,06,18,054	1,27,69,000		
31	66,741	42,000	-	51,000	99,820	1,08,000	96,92,835	1,02,17,000		
32	16,28,017	17,67,000	-	4,07,000	13,77,265	13,13,000	1,02,89,598	1,02,02,000		
33	3,52,56,601	3,69,28,000	-	1,37,89,000	3,10,41,694	3,15,28,000	15,69,81,396	15,63,10,000		- - - TOTAL
34	8,48,899	7,66,000	-	54,000	7,99,263	7,80,000	21,66,861	21,43,000		MISCELLANEOUS CIVIL CHARGES - Territorial and Political Pensions. Civil Furlough and Absentee Allowances. Superannuation Allowances and Pensions. Stationery and Printing Miscellaneous.
35	231	-	-	-	2,845	-	8,847	2,000		
36	29,56,196	24,35,000	-	7,95,000	30,62,046	31,86,000	94,18,105	98,86,000		
37	11,13,319	14,56,000	-	3,42,000	8,24,460	8,44,000	36,22,098	39,49,000		
38	4,34,915	5,91,000	-	1,13,000	3,36,266	2,84,000	26,65,176	26,84,000		
39	53,43,560	57,49,000	-	13,04,000	50,24,880	50,74,000	1,78,81,087	1,96,64,000	- - - TOTAL	
40	-	-	-	-	16,403	72,000	30,459	85,000	FAMINE RELIEF AND INSURANCE : Famine Relief Construction of Protective Railways Construction of Protective Irrigation Works. Reduction or Avoidance of Debt	
41	-	-	-	-	-	-	4,37,369	4,35,000		
42	6,37,552	15,000	-	7,46,000	9,74,535	10,45,000	32,75,631	35,52,000		
43	2,60,000	60,000	-	2,00,000	4,90,000	4,50,000	51,09,505	34,56,000		
44	3,97,552	75,000	-	9,46,000	14,40,938	15,67,000	88,53,484	75,30,000	- - - TOTAL	
45	5,35,02,863	5,43,83,000	-	2,16,74,000	6,15,17,459	6,08,45,000	39,08,61,671	28,63,18,000	- - - Carried forward to page 13	
ESTIMATE, 1912-13.										
	India	India converted into £ at Rs. 15 = £1	England	TOTAL						
	Rs.	£	£	£						
	4,83,60,000	3,090,000	3,607,268	6,697,268						
	34,14,000	227,600	175,500	403,100						
	4,97,64,000	3,317,600	3,782,768	7,100,368						
					(a) Included under the following Heads - State Railways - Interest on Debt. Interest chargeable against Companies on Advances.					
					- TOTAL.					

No. 3.—ACCOUNT showing the Estimated Expenditure (Imperial and Provincial) in each of the

HEADS OF EXPENDITURE.	BROUGHT FORWARD.		PUNJAB.		N W. FRONTIER PROVINCE		MADRAS.		BOMBAY.	
	1911-12.	1912-13.	1911-12.	1912-13.	1911-12	1912-13.	1911-12.	1912-13.	1911-12.	
DIRECT DEMANDS ON THE REVENUES :	Rs	Rs	Rs.	Rs	Rs.	Rs.	Rs.	Rs.	Rs.	
Refunds and Drawbacks - - - - -	24,25,226	21,12,000	1,54,029	1,65,000	19,945	24,000	5,18,372	4,78,000	19,16,576	1
Assignments and Compensations - - -	64,95,791	65,82,000	83,974	1,13,000	17,819	20,000	13,36,836	12,42,000	1,03,89,308	2
Charges in respect of Collection, viz :-										
Land Revenue - - - - -	3,01,48,925	3,04,83,000	48,02,974	47,39,000	6,03,664	6,15,000	1,29,37,965	1,42,95,000	82,72,746	3-
Opium (including cost of Production) -	1,08,82,831	89,89,000	-	-	-	-	-	-	34,945	4
Salt (including cost of Production) - Salt	15,17,134	14,67,000	-	-	-	-	17,31,192	17,24,000	22,68,084	5
Stamps - - - - -	-2,71,084	20,000	1,76,897	1,73,000	21,953	21,000	4,48,473	4,68,000	2,27,638	6-
Excise - - - - -	32,60,597	34,04,000	1,71,360	1,84,000	14,602	15,000	17,83,536	18,33,000	10,57,043	7
Provincial Rates - - - - -	85,418	91,000	-	-	-	-	-	-	-	8
Customs - - - - -	19,80,469	20,49,000	-	-	-	-	3,87,374	4,02,000	13,85,852	9
Assessed Taxes - - - - -	2,58,928	2,72,000	10,971	11,000	1,376	1,000	37,058	37,000	1,15,840	10-
Forest - - - - -	1,01,06,390	1,06,37,000	7,65,146	8,22,000	89,436	1,00,000	34,14,882	31,60,000	26,64,436	11
Registration - - - - -	19,64,333	19,67,000	1,19,896	1,18,000	10,557	11,000	12,48,860	12,51,000	3,90,184	12
TOTAL - - - - -	6,89,14,958	6,80,73,000	62,65,246	63,25,000	7,79,352	8,07,000	2,38,44,548	2,48,80,000	2,87,12,647	13-
INTEREST :										
Interest on Debt - - - - -	4,77,33,635	4,87,09,000	2,07,998	1,93,000	-	-	3,15,731	3,17,000	6,36,483	14
duct—Amounts chargeable to Railways -	4,66,26,525	4,87,64,000	-	-	-	-	-	-	-	15-
" " " Irrigation - - - - -	1,59,94,080	1,74,57,000	-	-	-	-	-	-	-	16
Remainder chargeable on Ordinary Debt -	-1,38,36,970	-1,85,12,000	2,07,998	1,93,000	-	-	3,15,731	3,17,000	6,36,483	17
Interest on other Obligations - - - - -	84,93,727	93,11,000	88,619	1,04,000	-	-	1,04,671	1,25,000	3,51,734	18-
TOTAL - - - - -	-53,93,243	-92,01,000	2,96,617	2,97,000	-	-	4,20,402	4,42,000	9,88,217	19
POST OFFICE - - - - -	2,93,03,231	2,97,25,000	-	-	-	-	-	-	-	20-
TELEGRAPH - - - - -	1,36,53,986	1,41,29,000	-	-	-	-	-	-	-	21-
RAILWAYS - - - - -	6,66,772	10,88,000	-	-	-	-	-	-	9,96,768	22-
DEPARTMENTS AND EXPENSES OF CIVIL DEPARTMENTS :										
General Administration - - - - -	2,48,81,232	1,67,27,000	18,33,187	17,30,000	3,09,152	3,36,000	22,53,589	18,14,000	34,80,413	23
Law and Justice - - - - -	2,81,85,700	2,78,91,000	42,17,010	41,66,000	5,79,956	6,06,000	62,19,465	66,11,000	55,30,750	24
Police - - - - -	87,23,085	91,84,000	12,27,575	13,03,000	1,47,837	1,50,000	14,06,873	14,00,000	11,35,616	25
Public Works - - - - -	4,29,15,285	4,34,48,000	58,63,176	57,66,000	16,31,901	15,93,000	94,59,187	87,30,000	1,01,50,038	26
Ports and Pilotage - - - - -	26,33,009	26,91,000	-	-	-	-	21,138	26,000	70,516	27
Navigation - - - - -	1,82,04,456	2,22,40,000	23,55,101	33,37,000	1,60,988	6,40,000	45,66,781	65,00,000	48,72,655	28
Sanitary - - - - -	8,88,142	9,41,000	2,33,743	2,43,000	38,938	39,000	3,58,011	3,22,000	3,43,913	29
Education - - - - -	1,06,18,054	1,27,69,000	21,26,662	27,37,000	1,50,170	4,91,000	18,27,119	19,87,000	24,36,270	30
Public Health - - - - -	96,92,935	1,02,17,000	6,28,668	6,84,000	30,61,756	30,42,000	1,16,144	1,15,000	8,76,433	31-
Public and other Minor Departments -	1,02,89,598	1,02,02,000	8,83,203	11,29,000	79,488	74,000	15,29,216	19,16,000	12,79,753	32-
TOTAL - - - - -	15,69,81,396	15,63,10,000	1,93,68,325	2,10,65,000	61,60,086	69,91,000	2,67,67,523	2,94,81,000	3,01,76,357	33
VARIOUS CIVIL CHARGES.										
Grants and Political Pensions - - - -	21,66,861	21,43,000	1,35,266	1,18,000	63,444	64,000	3,24,861	3,42,000	5,48,984	34
Wages and Absentee Allowances - - -	8,847	2,000	-	-	-	-	1,801	5,000	8,949	35
Contingent Allowances and Pensions -	94,18,105	98,86,000	18,76,783	18,94,000	1,35,228	1,47,000	26,26,148	27,50,000	31,47,661	36
Stationery and Printing - - - - -	36,22,098	39,49,000	7,32,246	7,40,000	82,738	92,000	21,29,506	22,51,000	19,05,235	37
Miscellaneous - - - - -	26,65,176	26,84,000	3,76,890	5,82,000	29,551	26,000	4,18,310	5,98,000	18,20,014	38
TOTAL - - - - -	1,78,81,087	1,86,64,000	31,21,135	33,34,000	3,10,981	3,29,000	55,00,626	59,46,000	74,30,833	39-
RAILWAY RELIEF AND INSURANCE :										
Grants for Relief - - - - -	30,659	65,000	1,52,126	5,000	-	-	14,622	-	15,16,996	40-
Construction of Protective Railways -	4,37,889	4,35,000	-	-	-	-	-	-	-	41
Construction of Protective Irrigation Works -	32,75,631	35,52,000	-	-	-	-	-	-	-	42
Redemption or Avoidance of Debt - - -	51,09,505	34,58,000	1,40,000	1,40,000	-	-	63,174	1,50,000	23,44,399	43
TOTAL - - - - -	88,53,484	75,30,000	2,92,126	1,45,000	-	-	3,27,796	4,00,000	52,31,896	44
Carried forward to page 14 - - - - -	29,08,61,671	28,63,18,000	2,93,63,449	3,11,66,000	72,50,399	81,27,000	5,68,50,995	6,11,59,000	7,35,36,217	45-

Provinces of British India, and in England, for 1912-13, compared with the Results of 1911-12—continued.

	BOMBAY.		TOTAL INDIA.				ENGLAND.		GRAND TOTAL.		HEADS OF EXPENDITURE.
	1912-13	Rupees.		Rupees converted into £ at Rs 16 = £1		1911-12.	1912-13	1911-12.	1912-13		
		1911-12.	1912-13.	1911-12.	1912-13.						
	Rs.	Rs.	Rs.	£	£	£	£	£	£		
1	19,67,000	50,34,148	47,46,000	335,610	316,400	-	-	335,610	316,400	DIRECT DEMANDS ON THE REVENUES:	
2	1,04,41,000	1,33,23,723	1,33,96,000	1,221,581	1,226,500	-	-	1,221,581	1,226,500	Refunds and Drawbacks	
3	85,21,000	5,87,66,274	5,86,53,000	3,784,418	3,910,200	2,036	1,725	3,786,454	3,911,925	Assignments and Compensations.	
4	35,000	1,09,17,776	90,24,000	727,852	601,600	1,600	307	729,452	601,907	Charges in respect of Collection, viz.—	
5	24,38,000	55,16,410	56,29,000	367,761	375,300	729	673	368,490	375,973	Land Revenue.	
6	2,38,000	6,63,877	9,20,000	44,259	61,300	89,931	90,468	134,190	151,768	Opium (including cost of Production).	
7	10,80,000	62,87,138	65,16,000	419,142	434,400	111	3	419,253	434,403	Salt (including cost of Production).	
8	-	85,418	91,000	5,695	6,100	-	-	5,695	6,100	Stamps.	
9	14,45,000	87,53,695	38,96,000	250,246	259,800	467	162	250,713	259,962	Excise	
10	1,18,000	4,24,173	4,39,000	28,278	29,300	-	-	28,278	29,300	Provincial Rates.	
11	29,00,000	1,70,40,290	1,76,19,000	1,136,019	1,174,600	6,183	4,914	1,142,202	1,179,514	Customs	
12	3,75,000	37,23,829	37,22,000	248,256	248,100	-	-	248,256	248,100	Assessed Taxes.	
13	2,95,58,000	12,85,86,751	12,96,53,000	8,569,117	8,643,600	101,057	98,252	8,670,174	8,741,862	Forest.	
										Registration.	
										- - - TOTAL.	
14	7,81,000	4,88,93,847	5,00,00,000	3,259,599	3,333,400	6,022,639	6,303,996	9,282,229	9,537,396	INTEREST	
15	-	4,68,26,635	4,97,64,000	3,041,768	3,317,600	3,622,442	3,782,768	8,664,210	7,700,368	Interest on Debt.	
16	-	1,59,94,080	1,74,57,000	1,066,272	1,183,800	116,595	124,730	1,182,867	1,288,530	Deduct—Amounts chargeable to Railways	
17	7,81,000	-1,97,26,758	-1,72,21,000	-848,450	-1,148,000	2,283,602	2,296,498	1,435,152	1,148,498	" " " Irrigation.	
18	3,74,000	90,38,751	99,14,000	602,583	680,900	-	-	602,583	680,900	Remainder chargeable on Ordinary Debt.	
19	11,55,000	-36,88,007	-73,07,000	-245,867	-487,100	2,283,602	2,296,498	2,037,735	1,809,398	Interest on other Obligations	
										- - - TOTAL.	
20	-	2,93,03,231	2,97,25,000	1,963,549	1,981,700	54,921	54,612	2,008,470	2,036,312	POST OFFICE.	
21	-	1,36,53,988	1,41,29,000	910,266	941,900	183,668	183,513	1,093,934	1,125,413	TELEGRAPH.	
22	9,40,000	16,63,540	20,28,000	110,903	135,200	5,604	6,783	116,507	141,983	MINT.	
23	25,75,000	3,27,87,673	2,32,02,000	2,183,838	1,546,800	442,403	377,405	2,626,241	1,924,295	SALARIES AND EXPENSES OF CIVIL DEPARTMENTS:	
24	58,79,000	4,46,82,901	4,49,53,000	2,978,860	2,996,900	3,188	1,677	2,981,986	2,998,577	General Administration.	
25	11,40,000	1,26,40,988	1,31,77,000	842,732	878,500	-	839	542,732	879,339	Law and Justice	
26	1,02,40,000	6,90,19,587	6,97,77,000	4,601,306	4,651,800	1,671	1,356	4,602,977	4,653,156	Courts.	
27	68,000	27,24,663	27,85,000	181,844	185,700	46	104	181,690	186,804	Jails.	
28	59,15,000	3,01,59,911	3,86,92,000	2,010,661	2,579,400	10,528	10,539	2,021,189	2,589,939	Police.	
29	3,35,000	18,62,747	18,80,000	124,183	125,300	305	205	124,468	125,505	Posts and Pilotage.	
30	23,69,000	1,71,58,275	2,08,53,000	1,143,985	1,356,800	11,605	10,531	1,155,490	1,367,331	Education.	
31	8,73,000	1,43,75,836	1,49,01,000	958,389	993,400	9,769	7,848	968,158	1,001,248	Ecclesiastical.	
32	10,43,000	1,40,61,208	1,43,64,000	937,414	957,600	23,791	25,440	961,205	983,040	Medical.	
33	3,02,37,000	33,94,43,687	24,40,84,000	15,962,912	16,273,200	503,254	436,034	16,466,166	16,708,234	Political.	
										Scientific and other Minor Departments.	
										- - - TOTAL.	
34	5,24,000	32,39,416	31,91,000	215,961	212,700	11,100	11,050	227,061	223,750	MISCELLANEOUS CIVIL CHARGES:	
35	9,000	19,597	16,000	1,307	1,100	424,435	410,957	425,742	412,057	Territorial and Political Pensions.	
36	33,88,000	1,72,03,365	1,80,65,000	1,146,924	1,304,300	2,040,496	2,068,102	3,187,420	3,273,402	Civil Furlough and Absentee Allowances.	
37	17,79,000	84,71,823	88,11,000	564,788	587,400	104,903	91,747	669,691	679,147	Superannuation Allowances and Pensions.	
38	7,12,000	53,09,941	46,02,000	353,996	308,800	34,913	30,954	368,909	337,764	Stationery and Printing.	
39	64,12,000	3,42,44,642	3,46,85,000	2,282,976	2,312,300	2,615,847	2,612,810	4,898,823	4,925,110	Miscellaneous.	
										- - - TOTAL.	
40	28,40,000	17,14,403	29,30,000	114,293	195,300	-	-	114,293	195,300	FAMINE RELIEF AND INSURANCE:	
41	-	4,37,689	4,35,000	29,179	29,000	15,096	14,012	44,275	43,012	Famine Relief.	
42	23,85,000	55,83,204	60,87,000	378,881	405,800	4,584	7,355	383,465	413,135	Construction of Protective Railways.	
43	18,70,000	68,69,505	53,18,000	457,967	347,900	-	-	457,967	347,900	Construction of Protective Irrigation Works.	
44	65,95,000	1,47,04,801	1,46,70,000	960,820	978,000	19,680	21,347	1,000,000	999,347	Reduction or Avoidance of Debt.	
										- - - TOTAL.	
45	7,48,97,000	45,78,62,631	46,16,67,000	30,524,176	30,777,900	5,767,633	5,709,849	36,291,809	36,487,649	- - - Carried forward to page 15.	

No. 3.—ACCOUNT showing the Estimated Expenditure (Imperial and Provincial) in each of the

HEADS OF EXPENDITURE	INDIA, GENERAL.		CENTRAL PROVINCES AND BERAR.		BURMA.		EASTERN BENGAL AND ASSAM.		
	1911-12.	1912-13	1911-12.	1912-13.	1911-12.	1912-13	1911-12.	1912-13.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Brought forward from page 8 - - -	7,70,06,685	6,86,99,000	2,46,79,575	2,55,52,000	4,42,83,225	4,53,94,000	2,98,71,864	98,71,000	1
RAILWAY REVENUE ACCOUNT.									
State Railways:									
Interest on Debt - - - - -	4,24,81,923	4,63,50,000	-	-	-	-	-	-	2
Annuities in purchase of Railways - - -	-	-	-	-	-	-	-	-	3
Sinking Funds - - - - -	-	-	-	-	-	-	-	-	4
Interest chargeable against Companies on Advances.	31,44,602	31,14,000	-	-	-	-	-	-	5
Interest on Capital deposited by Companies -	26,80,203	28,98,000	-	-	-	-	-	-	6
Subsidized Companies:									
Land, &c. - - - - -	8,86,204	7,84,000	-	-	-	-	5,409	5,000	7
Miscellaneous Railway Expenditure - - -	2,02,400	8,47,000	-	-	-	-	2,643	9,000	8
TOTAL - - -	4,94,65,332	5,42,73,000	-	-	-	-	15,062	14,000	9
IRRIGATION									
Major Works:									
Working Expenses - - - - -	-	-	34,938	70,000	3,02,822	4,87,000	-	-	10
Interest on Debt - - - - -	-17,48,917	-18,72,000	2,85,631	3,77,000	6,08,621	7,14,000	-	-	11
Minor Works and Navigation - - - - -	3,04,208	3,65,000	5,35,221	5,00,000	14,26,708	14,00,000	1,29,956	71,000	12
TOTAL - - -	-14,44,709	-15,07,000	8,55,790	9,47,000	23,96,151	25,81,000	1,29,956	71,000	13
OTHER PUBLIC WORKS.									
Construction of Railways charged to Provincial Revenues.	-	-	-	-	-	-	12,535	61,000	14
Civil Works - - - - -	22,78,039	73,84,000	65,51,605	75,67,000	1,13,43,284	86,83,000	69,25,439	42,99,000	15
TOTAL - - -	22,78,039	73,84,000	65,51,605	75,67,000	1,03,43,284	86,83,000	69,37,974	43,60,000	16
MILITARY SERVICES:									
Army:									
Effective - - - - -	20,84,03,972	20,51,01,000	-	-	-	-	-	-	17
Non-effective - - - - -	1,04,85,875	1,06,12,000	-	-	-	-	-	-	18
Marine - - - - -	37,61,939	37,92,000	-	-	-	-	-	-	19
Military Works - - - - -	1,30,86,104	1,27,59,000	-	-	-	-	-	-	20
Special Defences (1902) - - - - -	40,570	1,00,000	-	-	-	-	-	-	21
TOTAL - - -	23,57,78,260	23,23,64,000	-	-	-	-	-	-	22
TOTAL EXPENDITURE, IMPERIAL AND PROVINCIAL - - - - -									
	86,30,83,607	86,12,13,000	3,20,86,970	3,40,68,000	5,70,22,660	5,66,58,000	3,69,54,846	1,43,16,000	23
Add—Portion of Allotments to Provincial Governments not spent by them in the year.	-	-	12,14,573	44,97,000	-	75,37,000	52,18,802	37,55,000	24
Deduct—Portion of Provincial Expenditure defrayed from Provincial Balances.	-	-	-	-	18,80,040	-	-	-	25
TOTAL EXPENDITURE CHARGED TO REVENUE - - - - -	86,30,83,607	86,12,13,000	3,33,01,543	3,85,65,000	5,57,82,620	6,41,95,000	4,21,73,648	1,80,71,000	26
RAILWAY AND IRRIGATION AND OTHER CAPITAL NOT CHARGED TO REVENUE:									
Capital Outlay on Railways and Irrigation Works:									
State Railways - - - - -	7,26,11,789	9,66,00,000	-	-	-	-	-	-	27
Irrigation Works - - - - -	-	-	3,39,569	9,84,000	20,00,906	27,92,000	-	-	28
Initial Expenditure on New Capital at Delhi	74,799	15,73,000	-	-	-	-	-	-	29
TOTAL - - -	7,26,86,588	9,81,73,000	3,39,569	9,84,000	20,00,906	27,92,000	-	-	30

Provinces of *British India*, and in *England*, for 1912-13, compared with the Results of 1911-12—*continued*.

	BENGAL.		BIHAR AND ORISSA.		UNITED PROVINCES OF AGRA AND OUDH.		CARRIED FORWARD.		HEADS OF EXPENDITURE.
	1911-12	1912-13.	1911-12.	1912-13.	1911-12.	1912-13.	1911-12.	1912-13.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1	5,35,02,868	5,43,83,000	-	2,15,74,000	6,15,17,469	6,08,45,000	29,08,61,671	28,63,18,000	- - - Brought forward from page 8.
2	-	-	-	-	-	-	4,24,81,923	4,63,50,000	RAILWAY REVENUE ACCOUNT State Railways.
3	-	-	-	-	-	-	-	-	Interest on Debt.
4	-	-	-	-	-	-	-	-	Annuities in purchase of Railways.
5	-	-	-	-	-	-	31,44,602	34,14,000	Sinking Funds.
6	-	-	-	-	-	-	-	-	Interest chargeable against Companies on Advances.
7	-	-	-	-	403	9,000	9,02,016	7,78,000	Interest on Capital deposited by Companies
8	-	-	-	-	-	-	2,72,043	8,56,000	Subsidized Companies Land, &c.
9	-	-	-	-	403	9,000	4,94,80,787	5,42,98,000	Miscellaneous Railway Expenditure
									- - - TOTAL.
10	14,02,067	2,76,000	-	11,25,000	34,85,008	33,78,000	52,84,835	53,16,000	IRRIGATION. Major Works:
11	23,51,108	3,81,000	-	20,70,000	35,84,832	37,71,000	50,79,273	54,41,000	Working Expenses
12	18,94,800	18,02,000	-	5,04,000	4,91,412	5,29,000	47,82,305	49,71,000	Interest on Debt.
13	56,47,973	22,59,000	-	36,99,000	75,61,252	76,78,000	1,51,46,413	1,57,28,000	Minor Works and Navigation.
									- - - TOTAL.
14	-	-	-	-	-	-	12,535	61,000	OTHER PUBLIC WORKS.
15	1,13,61,241	1,22,43,000	-	63,04,000	77,97,461	86,59,000	4,52,57,069	5,51,39,000	Construction of Railways charged to Provincial Revenues.
16	1,13,61,241	1,22,43,000	-	63,04,000	77,97,461	86,59,000	4,52,69,604	5,52,00,000	Civil Works
									- - - TOTAL.
17	-	-	-	-	-	-	20,84,03,972	20,51,01,000	MILITARY SERVICES
18	-	-	-	-	-	-	1,04,85,675	1,06,12,000	Army:
19	-	-	-	-	-	-	37,61,939	37,92,000	Effective
20	-	-	-	-	-	-	1,30,86,104	1,27,59,000	Non-effective.
21	-	-	-	-	-	-	40,570	1,00,000	Marine.
22	-	-	-	-	-	-	23,57,78,280	23,23,64,000	Military Works.
									Special Defences (1902).
									- - - TOTAL.
23	7,05,12,077	6,88,85,000	-	3,15,77,000	7,68,76,575	7,71,91,000	63,65,36,735	64,39,08,000	{ TOTAL EXPENDITURE, IMPERIAL AND PROVINCIAL.
24	82,96,235	1,16,98,000	-	65,69,000	1,44,240	81,28,000	1,43,73,550	4,21,84,000	Add—Portion of Allotments to Provincial Governments not spent by them in the year.
25	-	-	-	-	-	-	12,60,040	-	Debit—Portion of Provincial Expenditure defrayed from Provincial Balances.
26	7,88,08,312	8,05,83,000	-	3,81,46,000	7,70,20,815	8,53,19,000	65,01,50,545	68,60,90,000	{ TOTAL EXPENDITURE CHARGED TO REVENUE.
27	-	-	-	-	-	-	7,26,11,789	9,66,00,000	RAILWAY AND IRRIGATION AND OTHER CAPITAL NOT CHARGED TO REVENUE.
28	-	-	-	-	10,04,580	9,50,000	33,45,055	47,26,000	Capital Outlay on Railways and Irrigation Works
29	-	-	-	-	-	-	74,789	15,73,000	State Railways.
30	-	-	-	-	10,04,580	9,50,000	7,60,31,643	10,28,99,000	Irrigation Works.
									Initial Expenditure on New Capital at Delhi.
									- - - TOTAL.

No. 3.—ACCOUNT showing the Estimated Expenditure (Imperial and Provincial) in each of the

HEADS OF EXPENDITURE.	BROUGHT FORWARD.		PUNJAB.		N.W. FRONTIER PROVINCE.		MADRAS.		BOMBAY.
	1911-12.	1912-13.	1911-12.	1912-13.	1911-12.	1912-13.	1911-12.	1912-13.	1911-12.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Brought forward from page 10 - -	29,08,61,671	28,63,18,000	2,93,63,449	3,11,66,000	72,50,399	81,27,000	5,68,50,896	6,11,82,000	7,35,34,217
RAILWAY REVENUE ACCOUNT.									
State Railways:									
Interest on Debt	4,24,81,923	4,63,50,000	-	-	-	-	-	-	-
Annuities in purchase of Railways	-	-	-	-	-	-	-	-	-
Sinking Funds -	-	-	-	-	-	-	-	-	-
Interest chargeable against Companies on Advances.	31,44,502	34,14,000	-	-	-	-	-	-	-
Interest on Capital deposited by Companies.	26,80,303	28,98,000	-	-	-	-	-	-	-
Subsidized Companies:									
Land, &c. - - - - -	9,02,016	7,78,000	-	-	-	-	-	-	7,378
Miscellaneous Railway Expenditure -	2,72,043	8,56,000	-	-	-	-	-	-	517
TOTAL - - -	4,94,80,787	5,42,96,000	-	-	-	-	-	-	7,895
IRRIGATION:									
Major Works:									
Working Expenses - - - - -	52,84,895	53,16,000	79,35,356	80,03,000	3,21,398	3,30,000	22,23,700	20,65,000	14,11,254
Interest on Debt - - - - -	60,79,273	54,41,000	57,06,185	64,19,000	4,39,362	5,62,000	29,46,034	29,54,000	19,23,226
Minor Works and Navigation - -	47,82,305	49,71,000	11,16,497	10,64,000	39,090	35,000	35,80,038	35,80,000	31,73,167
TOTAL - - -	1,51,46,413	1,57,28,000	1,47,58,038	1,54,86,000	7,99,850	9,27,000	86,49,772	85,97,000	65,07,647
OTHER PUBLIC WORKS:									
Construction of Railways charged to Provincial Revenues.	12,535	61,000	-	-	-	-	-	-	-
Civil Works - - - - -	4,52,57,069	5,51,39,000	70,08,503	73,65,000	23,35,928	28,05,000	1,14,34,054	1,61,19,000	1,44,90,743
TOTAL - - -	4,52,69,604	5,52,00,000	70,08,503	73,65,000	23,35,928	28,05,000	1,14,34,054	1,61,19,000	1,44,90,743
MILITARY SERVICES:									
Army:									
Effective - - - - -	20,84,03,972	20,51,01,000	-	-	-	-	-	-	-
Non-effective - - - - -	1,04,85,675	1,06,12,000	-	-	-	-	-	-	-
Marine - - - - -	37,61,939	37,92,000	-	-	-	-	-	-	-
Military Works - - - - -	1,30,86,104	1,27,58,000	-	-	-	-	-	-	-
Special Defences (1902) - - - -	40,670	1,00,000	-	-	-	-	-	-	-
TOTAL - - -	23,57,78,260	23,23,64,000	-	-	-	-	-	-	-
TOTAL EXPENDITURE, IMPERIAL AND PROVINCIAL - - - - -									
	63,65,36,735	64,39,08,000	5,11,29,990	5,40,17,000	1,03,88,177	1,18,59,000	7,69,34,721	8,88,75,000	9,45,42,502
Add—Portion of Allotments to Provincial Governments not spent by them in the year	1,48,73,850	4,21,84,000	33,98,055	86,36,000	-	-	29,38,502	43,76,000	-
Deduct—Portion of Provincial Expenditure defrayed from Provincial Balances.	12,60,040	-	-	-	-	-	-	-	54,14,118
TOTAL EXPENDITURE CHARGED TO REVENUE - - - - -	65,01,50,545	68,60,90,000	5,45,28,045	6,26,53,000	1,03,88,177	1,18,59,000	7,98,73,223	9,02,51,000	8,91,28,389
RAILWAY AND IRRIGATION AND OTHER CAPITAL NOT CHARGED TO REVENUE:									
Capital Outlay on Railways, Irrigation and other Works:									
State Railways - - - - -	7,26,11,789	9,66,00,000	-	-	-	-	-	-	-
Irrigation Works - - - - -	33,45,055	47,26,000	1,47,45,115	1,27,90,000	30,24,420	30,81,000	4,03,143	2,50,000	2,15,465
Initial Expenditure on New Capital at Delhi.	74,799	15,78,000	-	-	-	-	-	-	-
TOTAL - - -	7,60,31,643	10,28,98,000	1,47,45,115	1,27,90,000	30,24,420	30,81,000	4,03,143	2,50,000	2,15,465

Delhi, 9 April 1913.

India Office, 6 May 1913.

THE GOVERNMENT OF INDIA, FOR THE YEAR 1912-13.

Provinces of British India, and in England, for 1912-13, compared with the Results of 1911-12—continued

OMBAY.	TOTAL INDIA					ENGLAND		GRAND TOTAL		HEADS OF EXPENDITURE.
	Rupees		Rupees converted into £ at Rs. 15 = £1		1911-12	1912-13	1911-12	1912-13		
	1911-12	1912-13	1911-12	1912-13						
	Rs	Rs	Rs.	£	£	£	£	£	£	
1	7,48,97,000	45,78,52,631	46,13,37,000	30,524,170	30,777,800	5,767,633	5,709,845	36,291,809	36,487,649	- - - Brought forward from page 11.
RAILWAY REVENUE ACCOUNT										
2	-	4,34,81,923	4,34,81,923	2,832,128	3,090,000	3,446,942	3,607,268	6,279,070	6,697,268	State Railways
3	-	-	-	-	-	3,357,301	3,357,672	3,357,301	3,357,672	Interest on Debt.
4	-	-	-	-	-	177,677	184,437	177,677	184,437	Annunciations in purchase of Railways.
5	-	31,44,602	31,44,602	209,640	227,600	175,500	175,500	385,140	403,100	Sinking Funds
6	-	26,80,203	26,80,203	178,680	193,200	1,647,390	1,655,021	1,825,970	1,848,221	Interest chargeable against Companies on Advances
7	5,000	9,09,391	7,63,000	60,626	52,200	-	-	60,626	52,200	Interest on Capital deposited by Companies.
8	-	2,72,560	2,72,560	18,171	18,171	-	-	18,171	18,171	Subsidized Companies Land, &c
9	5,000	4,94,58,682	4,94,58,682	3,299,245	3,620,100	8,804,710	8,979,898	12,103,985	12,589,998	Miscellaneous Railway Expenditure
IRRIGATION										
10	14,23,000	1,71,71,543	1,71,71,543	1,145,103	1,142,300	-	1	1,145,103	1,142,301	Major Works
11	20,81,000	1,59,94,080	1,59,94,080	1,066,272	1,163,890	116,595	124,730	1,182,867	1,288,530	Working Expenses
12	32,25,000	1,26,91,097	1,26,91,097	846,073	858,400	840	1,894	846,913	860,204	Interest on Debt
13	67,29,000	4,58,61,720	4,74,67,000	3,057,448	3,164,500	117,435	126,625	3,174,883	3,291,125	Minor Works and Navigation
OTHER PUBLIC WORKS										
14	-	12,535	61,000	836	4,100	-	-	836	4,100	Construction of Railways charged to Provincial Revenues
15	1,03,81,000	8,07,26,297	9,17,89,000	5,368,419	6,119,200	84,793	90,203	6,453,212	6,209,403	Civil Works
16	1,03,81,000	8,05,33,832	9,18,50,000	5,369,255	6,123,300	84,793	90,203	6,454,048	6,213,503	- - - TOTAL
MILITARY SERVICES										
-	-	20,84,03,972	20,51,01,000	13,893,598	13,873,400	2,439,364	2,589,761	16,332,962	16,263,161	Army
-	-	1,04,25,675	1,06,12,000	699,045	707,500	2,604,339	2,521,659	3,204,584	3,229,189	Effective
-	-	3,51,939	37,92,000	250,736	252,800	199,932	224,132	450,738	476,932	Non-effective
-	-	1,36,58,104	1,27,59,000	872,407	850,600	37,250	33,412	909,657	884,011	Mairies
-	-	10,570	1,00,000	2,705	6,600	2,001	3,890	4,706	9,990	Military Works
-	-	-	-	-	-	-	-	-	-	Special Defences (1902)
-	-	23,57,78,260	23,23,64,000	15,718,551	15,490,900	5,183,086	5,372,384	20,901,637	20,863,284	- - - TOTAL
TOTAL EXPENDITURE, IMPERIAL AND PROVINCIAL										
17	1,92,000	86,36,30,125	88,76,49,000	57,968,675	59,176,600	19,957,657	20,278,959	77,926,332	79,455,559	Add—Portion of Allotments to Provincial Governments not spent by them in the year
18	1,13,000	2,12,10,407	6,11,00,000	1,414,027	4,073,900	-	-	1,414,027	4,073,900	Deduct—Proportion of Provincial Expenditure defrayed from Provincial Balances
19	-	86,74,753	-	444,943	-	-	-	444,943	-	
20	9,99,05,000	88,46,66,379	94,87,76,000	58,937,759	63,250,500	19,957,657	20,278,959	78,895,416	83,529,459	TOTAL EXPENDITURE CHARGED TO REVENUE
RAILWAY AND IRRIGATION AND OTHER CAPITAL NOT CHARGED TO REVENUE										
-	-	789	9,66,00,000	4,840,786	6,440,000	2,140,598	2,440,342	6,981,384	8,880,342	Capital Outlay on Railways, Irrigation and other Works
-	-	3,194	2,11,21,000	1,448,880	1,408,500	87,651	34,518	1,536,331	1,459,018	State Railways
-	-	7,793	15,73,000	4,966	104,900	6	8,833	4,992	111,733	Irrigation Works
-	-	-	-	-	-	-	-	-	-	Initial Expenditure on New Capital at Delhi
-	-	789	11,93,00,000	6,294,652	7,953,400	2,228,255	2,477,693	8,522,907	10,451,093	- - - TOTAL

M. F. GAUNTLETT, C
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